

51 TRADING STRATEGIES



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HOW TO USE THIS BOOK?

LEARN BY DOING: Welcome to "51 Trading Strategies" by Aseem Singhal, designed in a hands-on manner for both beginners and intermediate-level traders. The key to mastering trading is active participation, so ensure you follow along and practice each strategy to maximize your learning experience. Remember, practice makes perfect!

QR CODES AND AUTHOR VIDEOS: Take your understanding to the next level with exclusive author videos. Aseem Singhal explains each strategy on charts, providing in-depth insights that complement the textual content. Look for QR codes on the first page of each strategy inside the book to access these valuable resources, ensuring you gain a comprehensive understanding of each trading strategy.

BACKTESTED RESULTS: Dive deeper into the world of options with backtested results for 11 of the option strategies. Scan the QR codes provided at the end of each respective option strategy to access detailed insights and performance metrics, enhancing your confidence in implementing these strategies.

TRADING AND OPTIONS GLOSSARY: Don't let trading jargon intimidate you. We've embedded a trading and options glossary through QR code within the book, where Aseem Singhal simplifies complex terms in an easy-to-understand manner in video format. This glossary serves as a valuable reference, ensuring even those with no trading experience can grasp the content effortlessly.

DECODING INDICATORS: Understand the logic behind the indicators used in the book. Explore a dedicated video section where the author decodes the majority of indicators employed throughout the strategies. Gain insights into why these indicators are crucial, empowering you to make informed trading decisions.

BEGINNER-LEVEL STRATEGIES: For those new to trading, we've got you covered. Aseem Singhal presents a set of beginner-level strategies in video format for all seven sections of strategies. These videos provide step-by-step guidance, making it easier for beginners to navigate the world of trading with confidence.

CANDLESTICK INSIGHTS: Enhance your knowledge of candlesticks with a separate section of videos by the author himself. These videos cover different types of candles, ensuring you have a clear understanding of this fundamental aspect of technical analysis.

MONEY MANAGEMENT: We care about your financial well-being. Navigate the potential challenges of trading with a dedicated section of videos by Aseem Singhal. Learn effective money management strategies, backed by the author's personal experiences, to ensure you trade with confidence and financial prudence.

Note - Video sections including Beginner-Level Strategies, Decoding Indicators, Candlestick Insights, and Money Management, will be accessible digitally. Using your registered credentials, log in to our platform to unlock these valuable resources.



PREFACE

In the thrilling world of financial markets, mastering the art of trading is a journey that can lead to both prosperity and personal fulfillment. Welcome to "51 Trading Strategies" where we embark on a remarkable exploration of diverse strategies that can elevate your trading game to new heights.

Our aim with this book is to offer you a treasury of trading wisdom, covering 51 distinct strategies that span across various trading styles, methodologies, and philosophies. Whether you're a novice trader just starting or an experienced investor seeking to diversify your trading toolbox, you'll find a wealth of knowledge here to expand your horizons.

This book is designed to cater to a wide spectrum of readers. Whether you're a swing trader, intraday aficionado, positional trader, or scalping enthusiast, you'll find strategies that resonate with your preferred trading style.

As you journey through this book, you'll notice that it revolves around essential themes like technical analysis, fundamental analysis, risk management, and trading psychology. These are the cornerstones that support our trading strategies, and understanding them will deepen your appreciation of the approaches we present.

Trading is not just about theory; it's about results. Throughout this book, we back our strategies with historical data and backtest results. It's crucial for traders to have confidence in the methodologies they choose, and by presenting the performance metrics, we aim to instill that confidence in you.

By the time you finish this book, you'll gain a thorough understanding of each strategy, supported by real-world examples and practical tips. You'll have the tools to improve your trading performance, adapt to market dynamics, maintain consistency, and manage risk effectively.

Here's to your success and the exciting journey that awaits you.



This book is dedicated to my parents, my wife Shruti and my daughter Anaya, who have been my constant inspiration while writing this book. I thank them for their patience and understanding during late nights and endless research.

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Trading Glossary

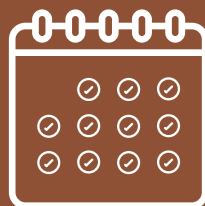


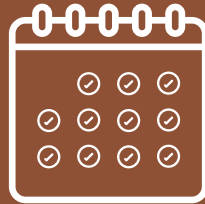
Options Glossary



CHAPTER 1

STRATEGIES BASED ON SWINGS





- 1.1 Trading the Bollinger bands
- 1.2 Williams %R and MACD duo for swing trading
- 1.3 Catching swings with MACD and Fibonacci retracement
- 1.4 Riding a breakout
- 1.5 Swing trading with institutional moves
- 1.6 Trading the breakouts with BB and width
- 1.7 ICHIMOKU Cloud indicator





Indicators



Alert

Replay



1.1

TRADING THE BOLLINGER BANDS



Strategy video

As a newbie in the market, everyone has experienced their stoploss getting hit, only to see the price marching towards the target after hitting the stoploss. It makes the trader go "Why it hits my stoploss and then move towards my target?".

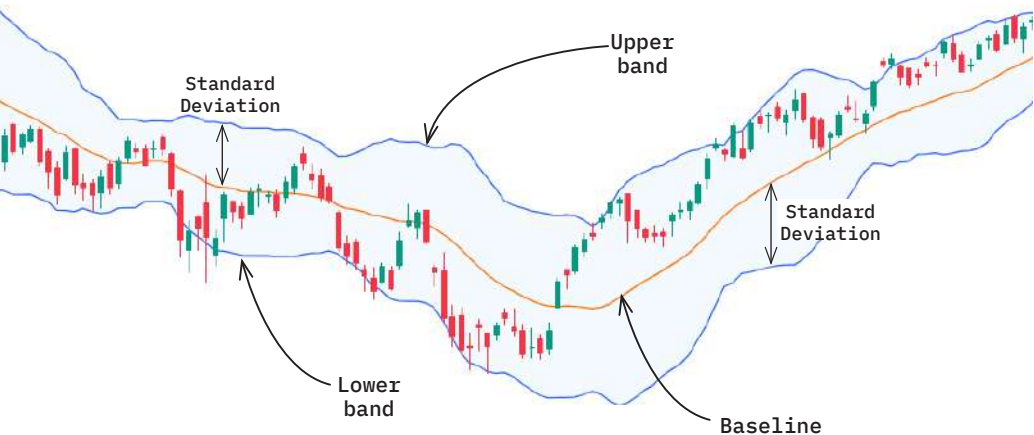
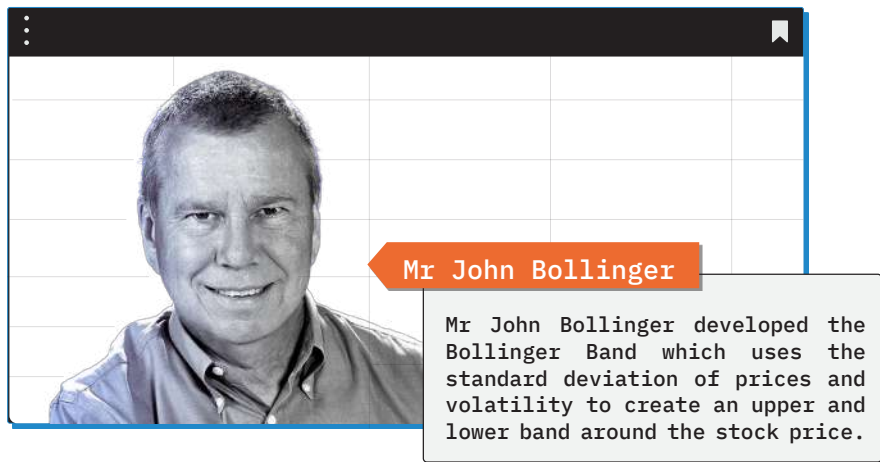


No one likes losses, not you or me. As a result, after years of back-testing a strategy that has an advantage in such situations, I finally present it in my book so that no retail trader gets caught in such situations.

In this chapter, I will talk about a strategy that uses a combination of Bollinger bands and a 9-period moving average.

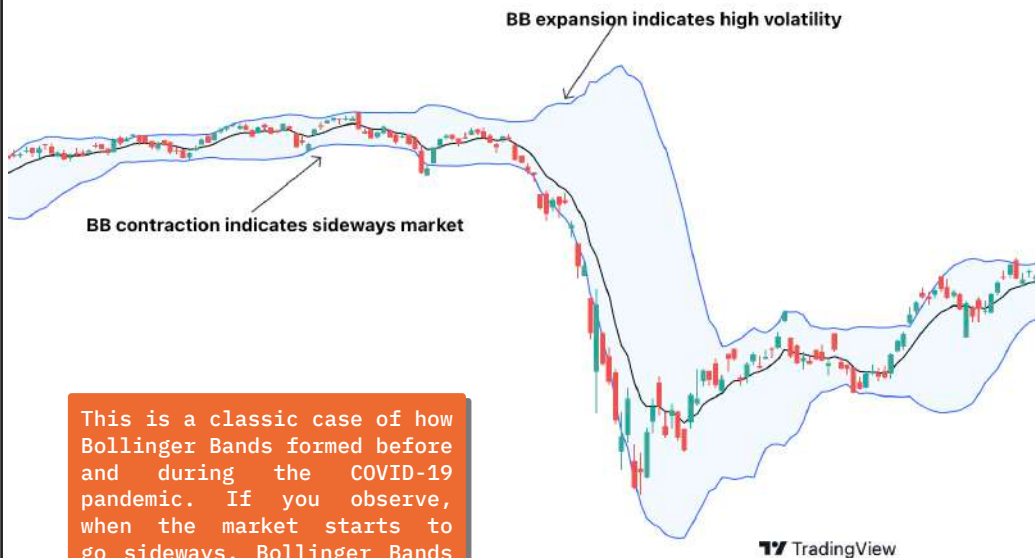


BOLLINGER BANDS



The three components of the Bollinger Band are the upper Bollinger Band and the lower Bollinger Band with a baseline. The baseline is in the middle and the upper and lower bands are two standard deviations away from the baseline.

As a trader, you should understand how Bollinger Bands works. Let's see an example:

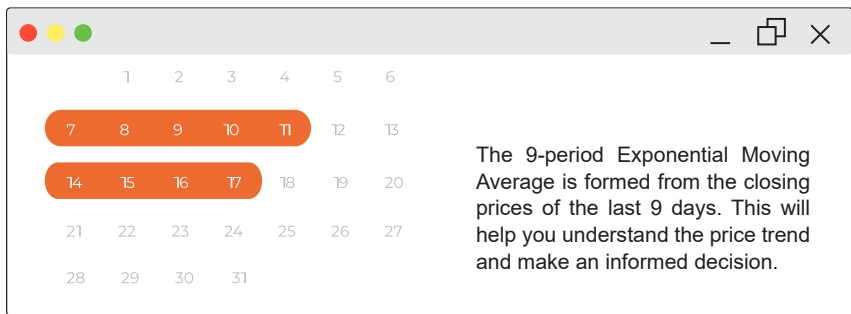


This is a classic case of how Bollinger Bands formed before and during the COVID-19 pandemic. If you observe, when the market starts to go sideways, Bollinger Bands starts contracting and vice-versa.

In this strategy, we will do a minute change in the settings of Bollinger Bands. i.e. disabling the Basis Line and adding the 9 Exponential Moving Average to the chart.

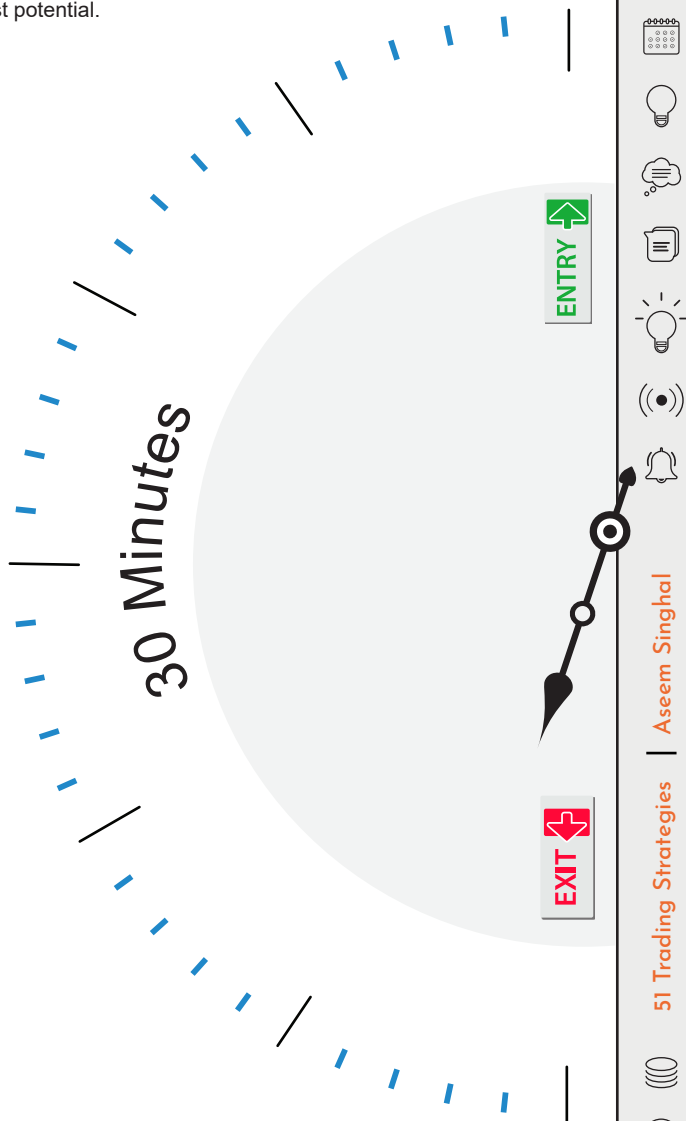
Basis Line

9 Exponential Moving Average



THE STRATEGY

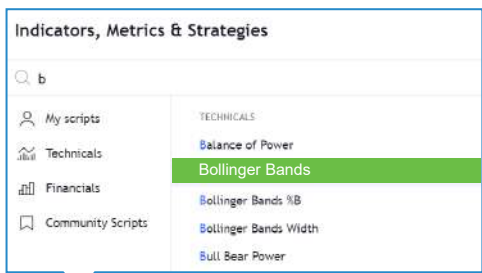
To execute this strategy for intraday, the ideal timeframe is 30 minutes for entry and exit. Using a bigger timeframe gives the trader enough data and technical indicators to respect price action to its fullest potential.



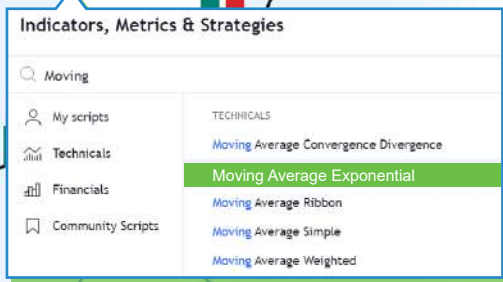
> WHEN TO BUY?

To buy using this strategy, do the following things:

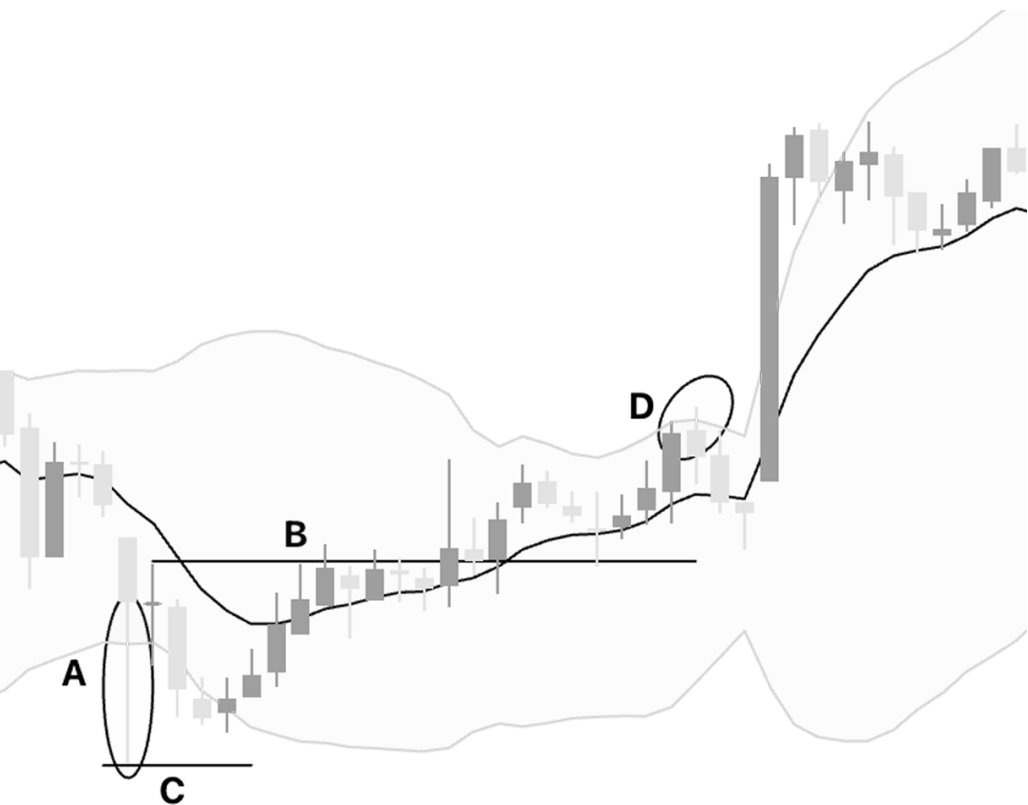
Apply Bollinger Bands to the chart and disable the Basis line.

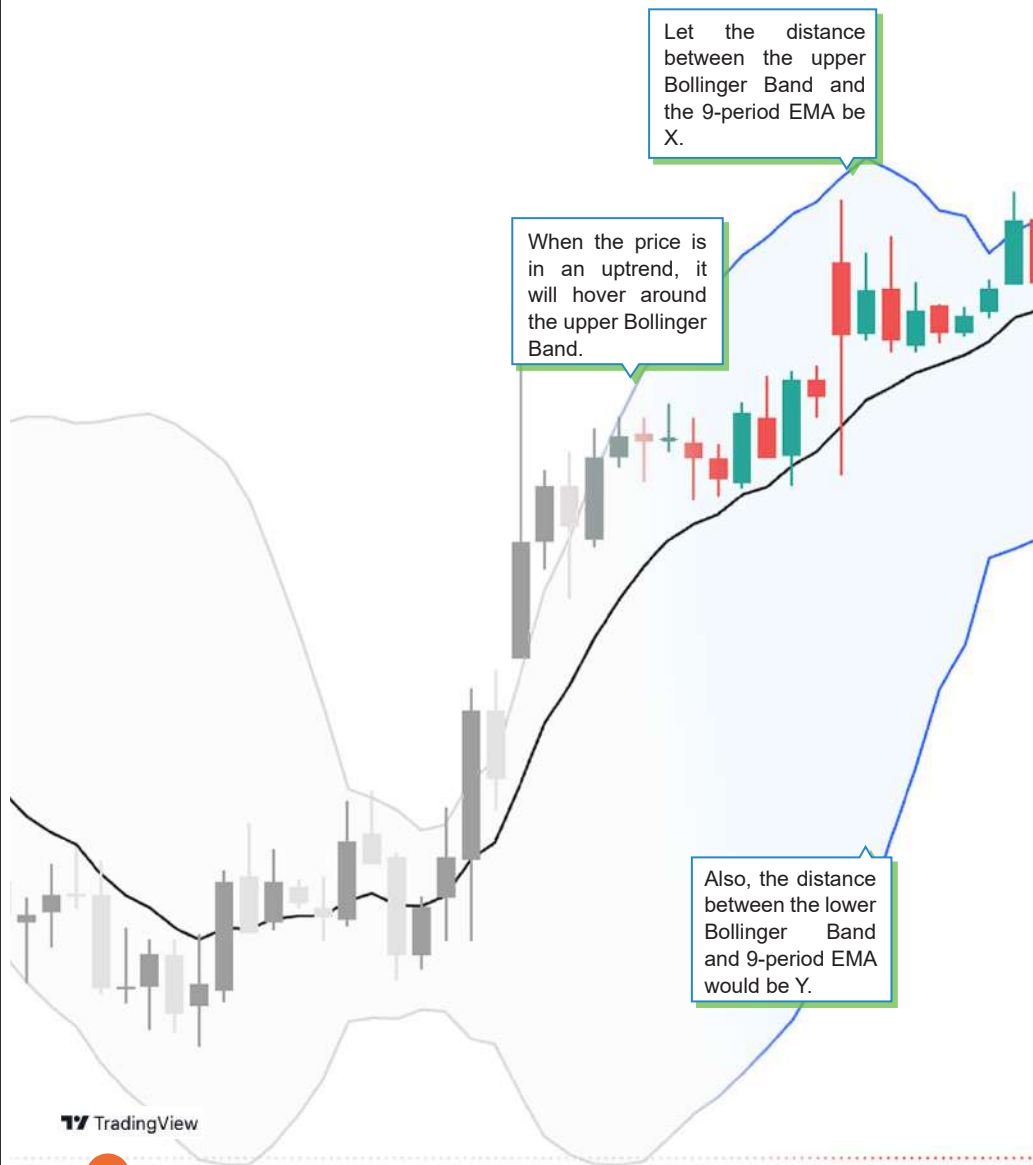


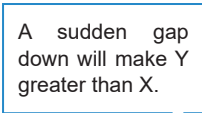
Wait for the price to be in an uptrend.

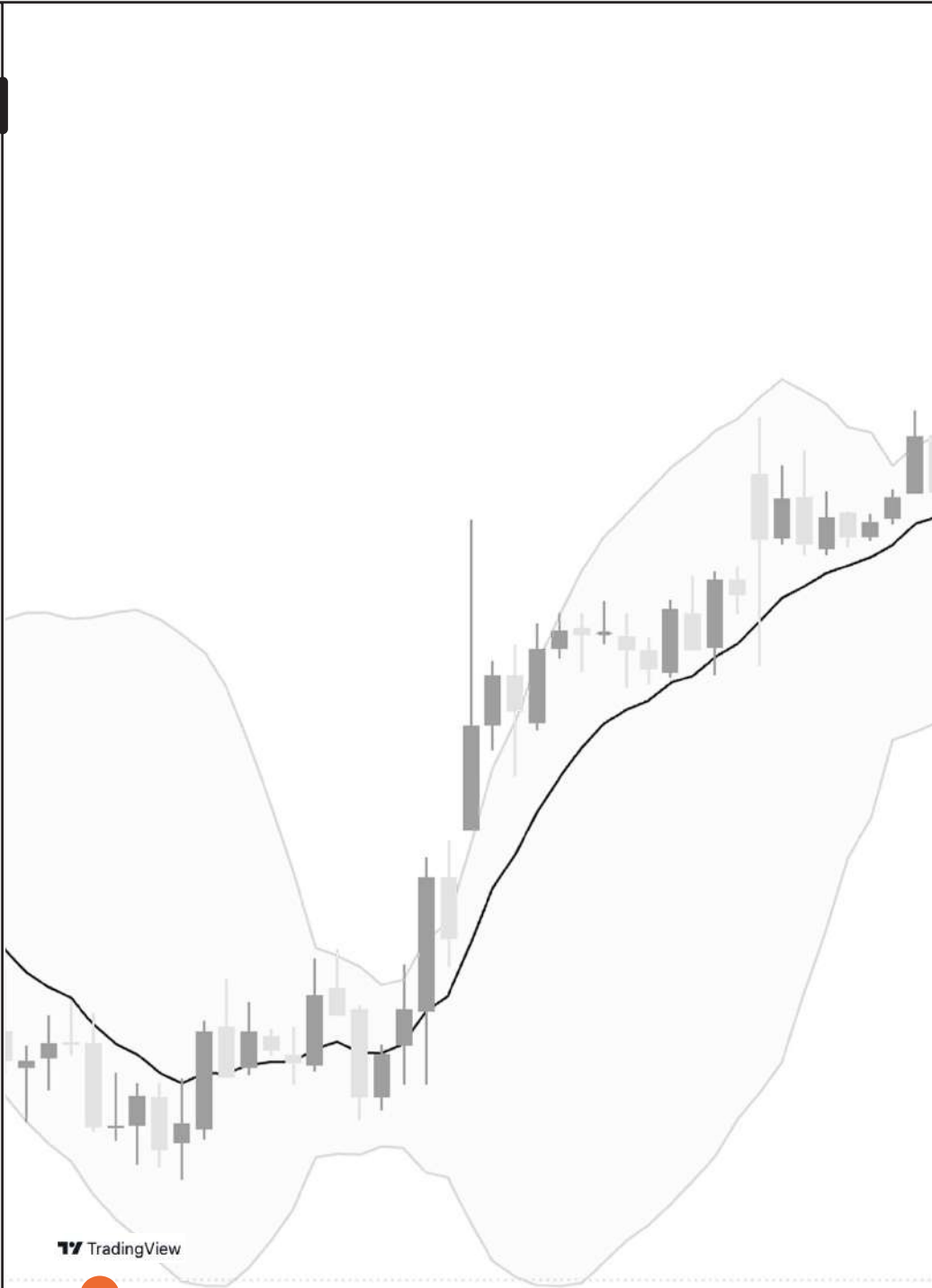


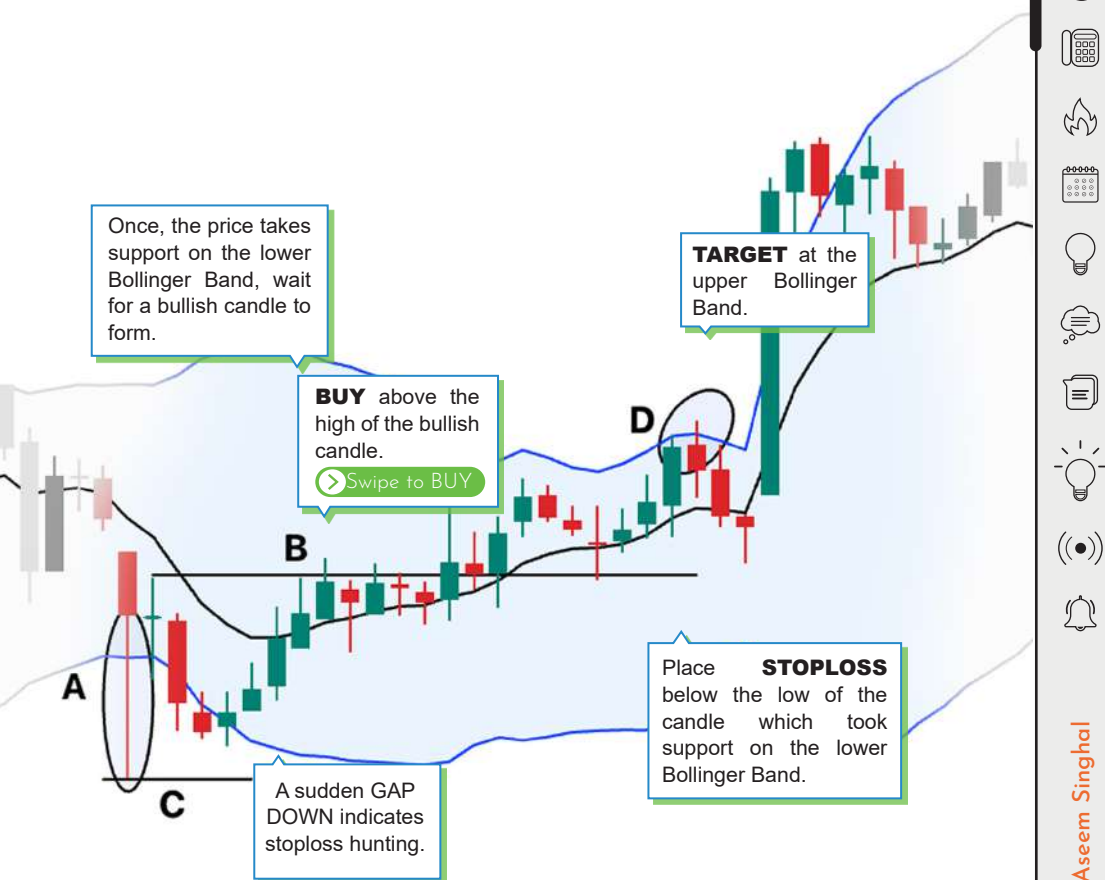
Apply the 9-period Exponential Moving Average to the chart.











- A. Strong rejection from lower Bollinger Band
- B. Entry above green candle
- C. Stoploss
- D. Exit at upper Bollinger Band

As you can see in the above illustration, the market is in an uptrend, but a quick downside move can trigger a stoploss. However, if you know this strategy, you know that such impulsive moves cannot change the primary trend. The chart clearly indicates that the price continued to move upwards after touching the lower Bollinger Band.

> WHEN TO SELL?

To sell using this strategy, do the following things:

Apply the 9-period Exponential Moving Average to the chart.

Indicators, Metrics & Strategies

Moving

My scripts

Technicals

Financials

Community Scripts

TECHNICALS

Moving Average Convergence Divergence

Moving Average Exponential

Moving Average Ribbon

Moving Average Simple

Moving Average Weighted

Wait for the price to be in the downtrend.

Indicators, Metrics & Strategies

b

My scripts

Technicals

Financials

Community Scripts

TECHNICALS

Balance of Power

Bollinger Bands

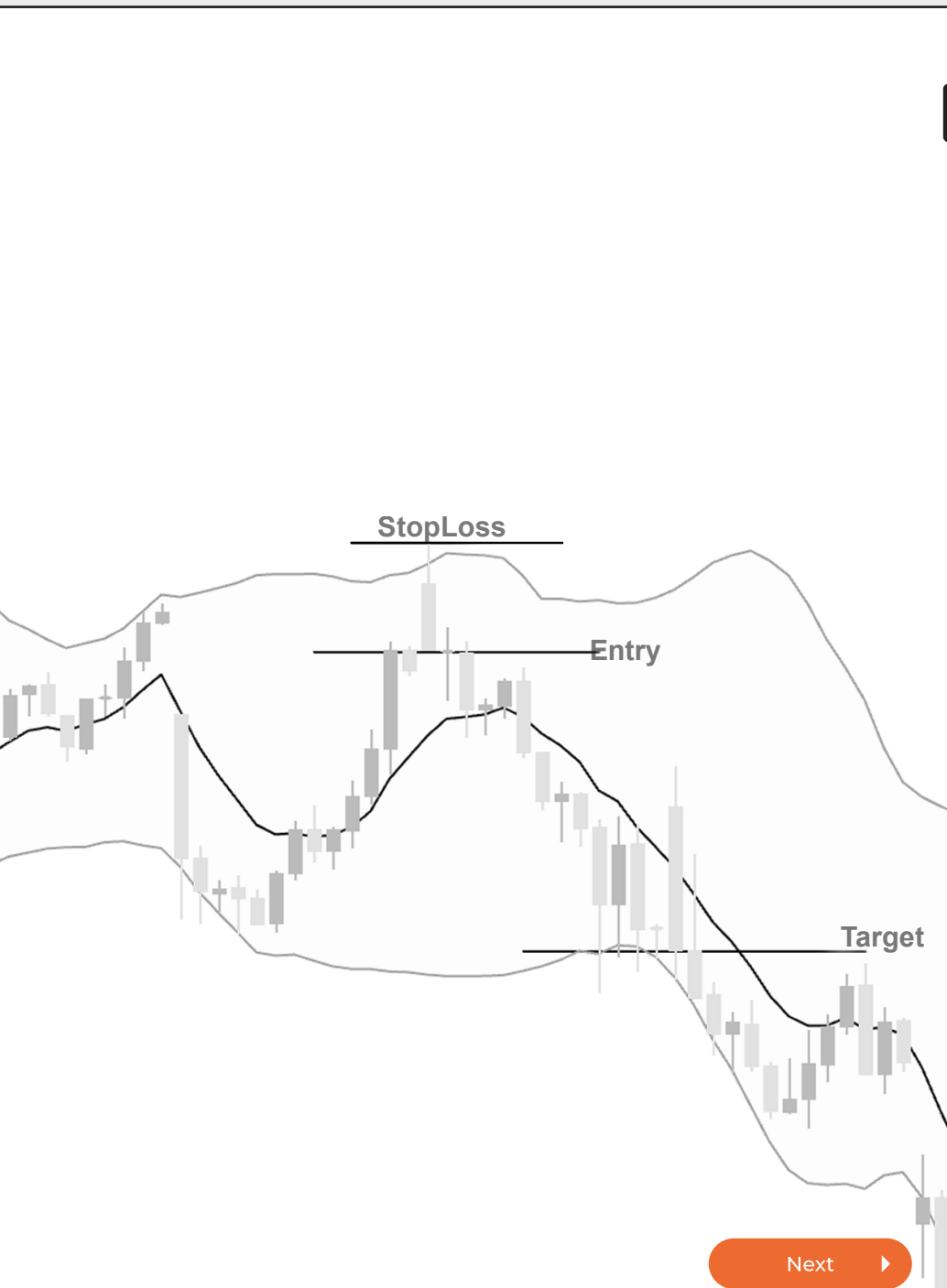
Bollinger Bands %B

Bollinger Bands Width

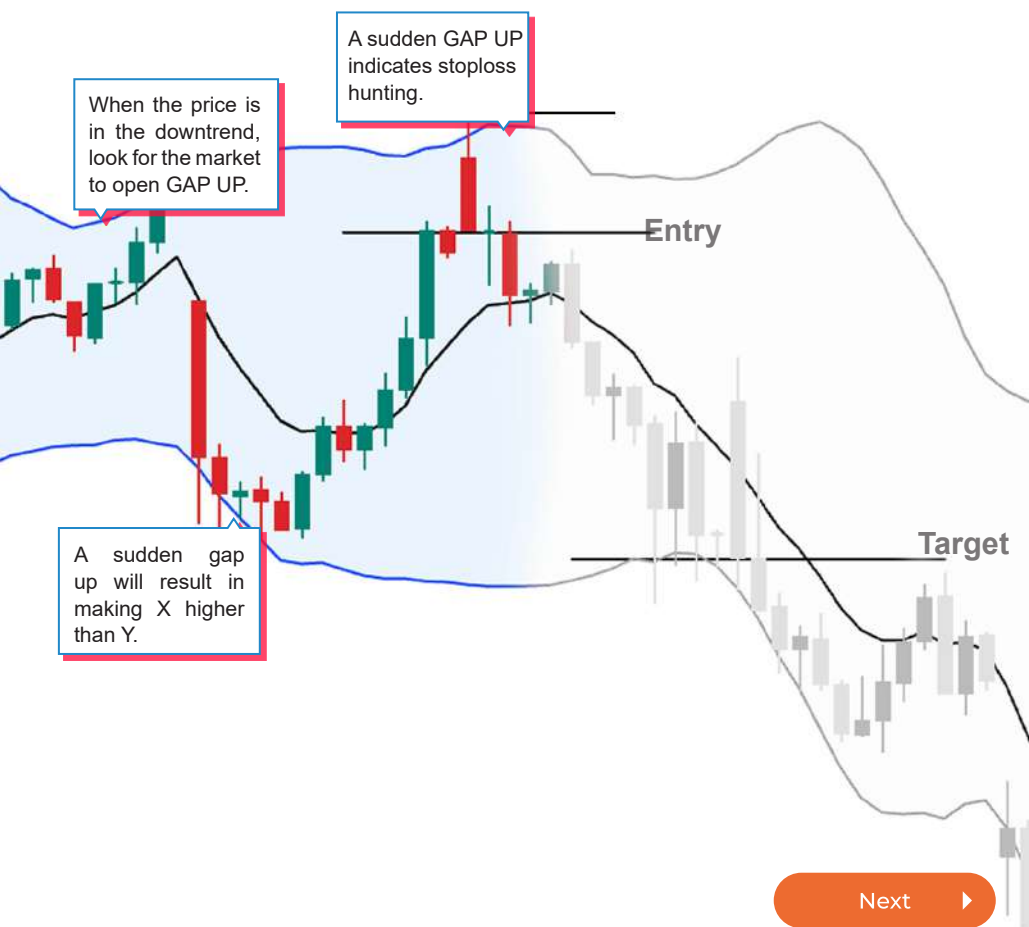
Bull Bear Power

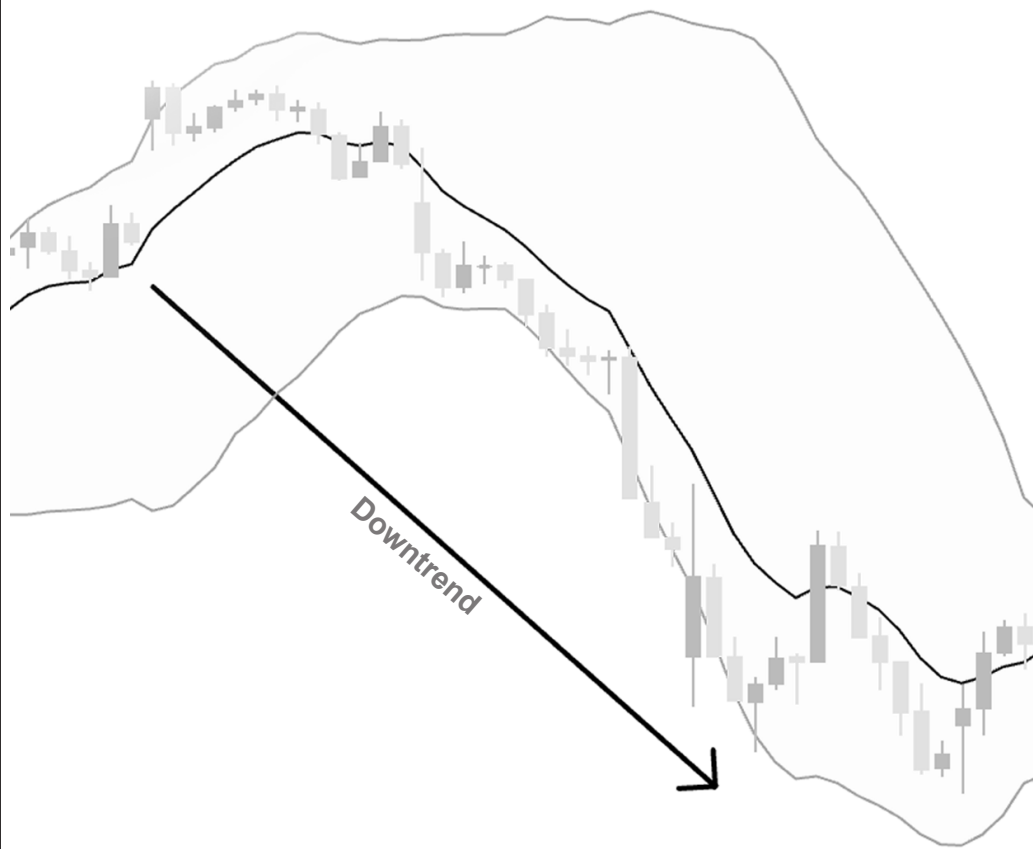
Apply Bollinger Band to the chart and disable the Basis line.

When the price is in the downtrend, it may hover around the lower Bollinger Band.



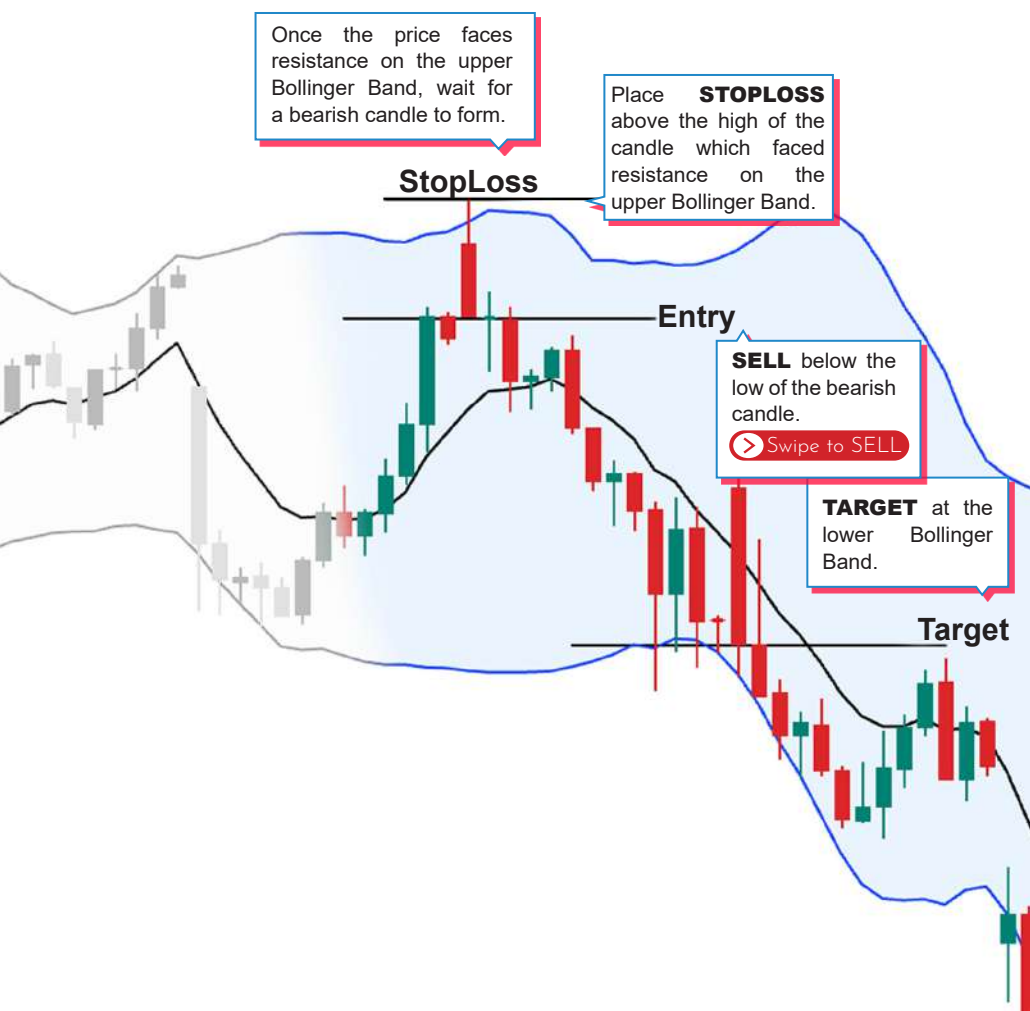






Every successful trader knows where he will exit if the trade goes against him. Acknowledging the amount of loss he might incur will help him stay calm during the session. This is why, in this strategy, you must put your stoploss at point C and target at point D.

At the beginning of your trading journey, you will come across hundreds of trading strategies promising you unrealistic returns but, as a trader, it is your job to back-test them and use them.



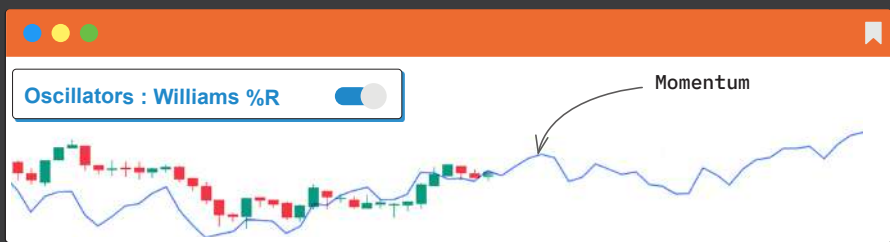
1.2

WILLIAMS %R AND MACD DUO FOR SWING TRADING



Strategy video

Traders who are into momentum trading use oscillators as a tool to identify buy and sell signals. There are many oscillators available for traders, but, there is one oscillator which is still unknown to a lot of traders, and that is Williams %R.



Zone	Range
Overbought Zone	-20 to 0
Oversold Zone	-80 to -100

Williams %R is an oscillator which ranges between 0 to -100. the range between -20 to 0 represents the Overbought zone and the range between -80 to -100 represents the Oversold zone. When the price is in either zone, there is a possibility of price reversal.





After spending hours in the market back-testing this oscillator, I have observed a particular pattern that gives frequent signals and helps traders to be profitable. In this chapter, I will teach you a strategy using Williams %R and a Simple Moving Average to trade in the financial markets.

Before we begin with the strategy, you should know that no indicator alone can help you become a profitable trader.



Williams %R close 14



This is why I have used a 14-period Simple Moving Average along with the Williams %R.



Williams %R close 14



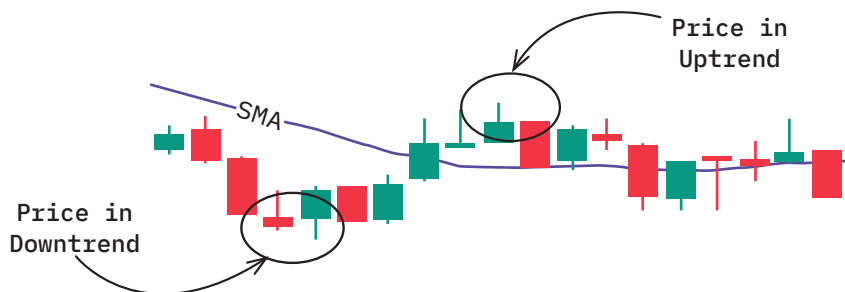
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SMA 14 close 0 SMA 5



The Simple Moving Average with a look back period of 14 days represents the average closing price of the previous 14 days. The Moving Average line can act as a dynamic support and resistance for the price.

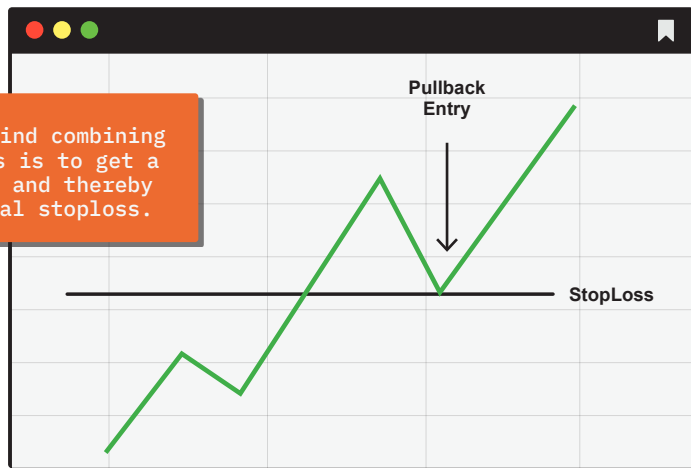
The price above 14 days SMA represents an uptrend. If the price is below the SMA, it is said that the market is in a downtrend.



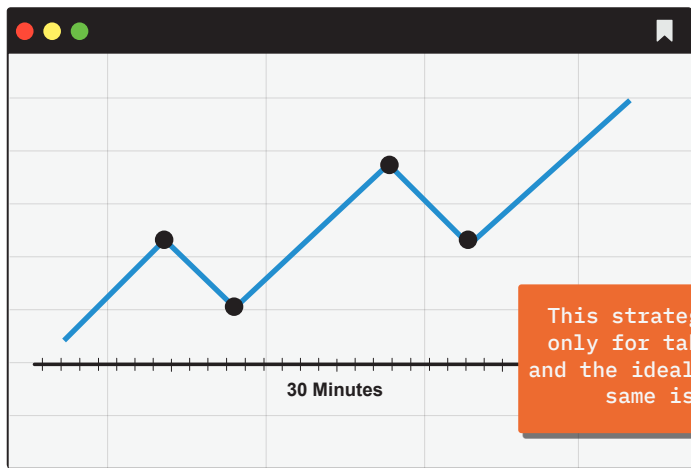
THE STRATEGY

This strategy is a combination of the Williams %R and a 14-period Simple Moving Average.

The purpose behind combining both indicators is to get a pullback trade and thereby having a minimal stoploss.



Having minimal stoplosses in every trade increases your Risk to Reward ratio, and even if this strategy has a success rate of 50%, you still end up making profits in the long run.



This strategy is recommended only for taking swing trades and the ideal timeframe for the same is 30 minutes.

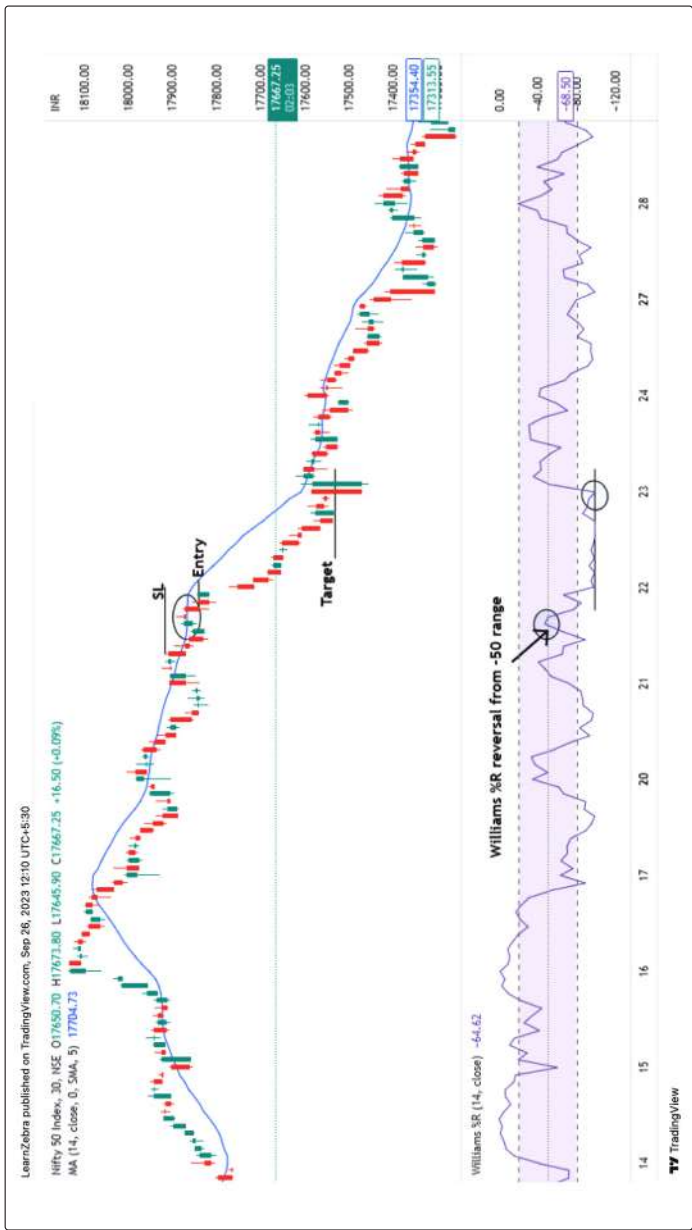


Let's understand with an example to understand better:

In this illustration, we have implemented this strategy on **Nifty 50 on 30 minutes timeframe**. However, you can use this strategy to trade any security. The buy signal triggers when the price goes above the SMA and the Williams %R touches the -50 line from above and is reversed. Like many other trades, this trade is also profitable with a Risk to Reward ratio of more than 1:2.



WHEN TO SELL?



In the above illustration, a short trade is taken in the downtrend when the Williams %R goes below the -80 level; reverses back to the -50 level and the price is below the 14-period SMA. The entry point for a short trade is below the red candle and the stoploss should be at the swing high. From this trade, it is clear that most of the time your Risk to Reward ratio will be more than 1:2 with a success rate of a minimum of 50%.

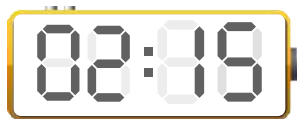


THINGS TO REMEMBER

- A single trading session can last up to 2 days.

Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

- As per my observation, most of the time, this strategy gives you buy/sell signals in the second half of the market (around p.m.).



Mind you, this strategy is only successful in the continuation of the primary trend. From the above illustration, it is evident that the trades are successful because the primary trend is an uptrend. This strategy might fail if used during trend reversals.



Indicators



Alert

Replay



1.3

CATCHING SWINGS WITH MACD AND FIBONACCI RETRACEMENT



Strategy video

No market has ever moved a tick without swings. Whenever a move comes, either uptrend or downtrend, both traders and investors who are not in the trade have massive FOMO. The only time they can enter and enjoy such swings is the point of retracement. Retracements are minor corrections which allow traders/investors to join the bandwagon.



It is best to use Moving Average Conversion Divergence along with the Fibonacci retracement tool in order to get multiple confluences. Fibonacci alone will not give you the best results. The Fibonacci tool is known to provide you with reversal levels, but to check how significant those levels are, you need MACD.

Fibonacci Retracement     ...



Fibonacci Retracement     ...

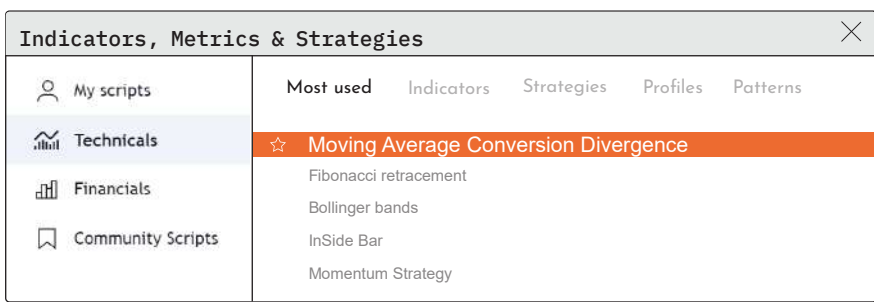
+

MACD 12 26 close 9 EMA EMA     ...



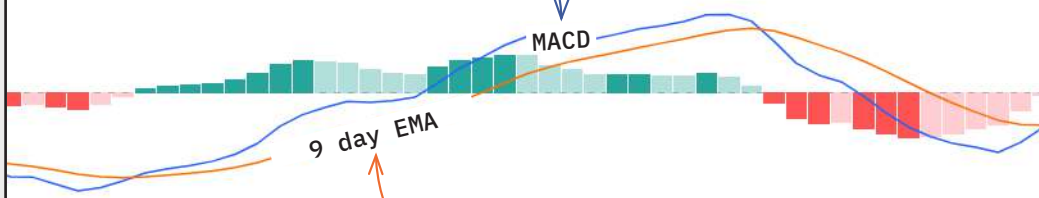
MACD AND FIBONACCI RETRACEMENT

MACD (Moving Average Conversion Divergence) and Fibonacci Retracement are two popular technical analysis tools used in financial markets.



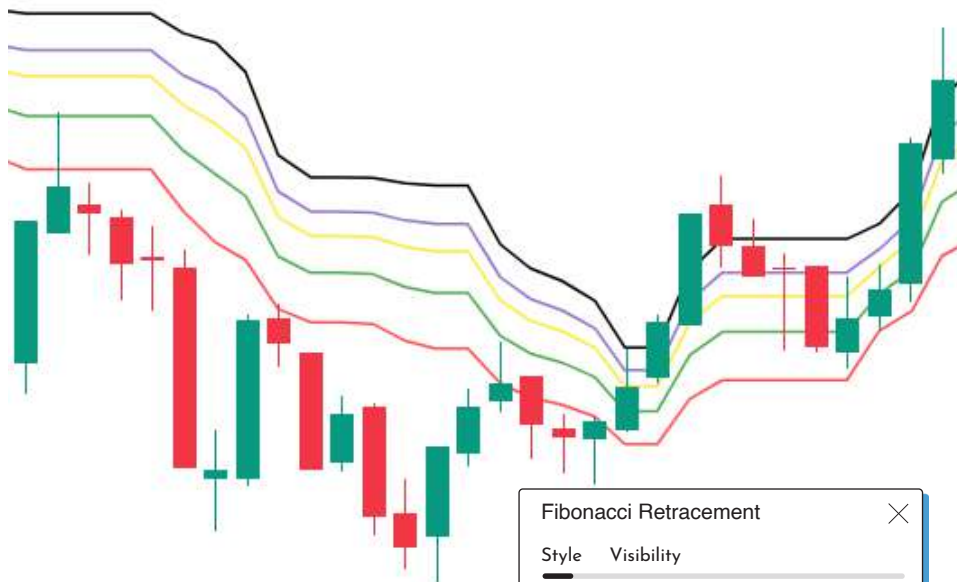
If I talk about MACD, it is a trend-following momentum indicator which is used to identify the strength and direction of a trend. It uses two lines to give signals.

One is a MACD line which is formed by subtracting the 12-day Exponential Moving Average (EMA) from the 26-day Exponential Moving Average.



The other line is a 9-day Exponential Moving Average.

Fibonacci Retracement, on the other hand, helps traders to identify key reversal levels after a correction in a trend. It is based on the idea that prices tend to retrace a predictable portion of a move, after which they may continue in the original direction. Fibonacci Retracement levels are calculated by measuring the distance between a high and low point and applying Fibonacci ratios of 23.6%, 38.2%, 50%, 61.8%, and 100%. Traders use these levels to identify potential entry and exit points in a trend.



Fibonacci Retracement

Style

Visibility

☒

23.6%

☒

38.2%

☒

50%

☒

61.8%

☒

100%

OUTPUTS

Precision

Default

Cancel

Ok

THE STRATEGY

To catch swings, you have to use the Fibonacci Retracement tool and the MACD tool on a 30-minute timeframe.

00:30

Fibonacci Retracement

MACD 12 26 close 9 EMA EMA



The combination of the two will ensure many times that you are not getting trapped in any false move.

Since it is a swing trade, you can only go for a long trade because shorting in cash is not available in Indian financial markets.

THE EXECUTION

The first step as a trader you have to take is to look for swing highs in an uptrend. When you spot a trend, and the market has already moved to the upside, you have to wait for it to take a pullback to Fibonacci levels. Retracements will give you an opportunity to enter into the trade.



To confirm the pullback, check the Moving Average Convergence Divergence. If the blue line crosses the red line from below, the MACD holds strength. Once a green candle is formed at the Fibonacci levels, it suggests a buy signal. The perfect place to enter is above the closing price of the green candle. The stoploss will be at the previous swing low.

You will notice that the MACD generates sell signals frequently but that is not where you have to exit. The exit is likely to be above the 0% Fibonacci level or look for at least a 1:2 Risk:Reward ratio.

From the above illustration, it is evident that we got an early buy signal from MACD but we waited until all our criteria were met.



1.4

RIDING A BREAKOUT

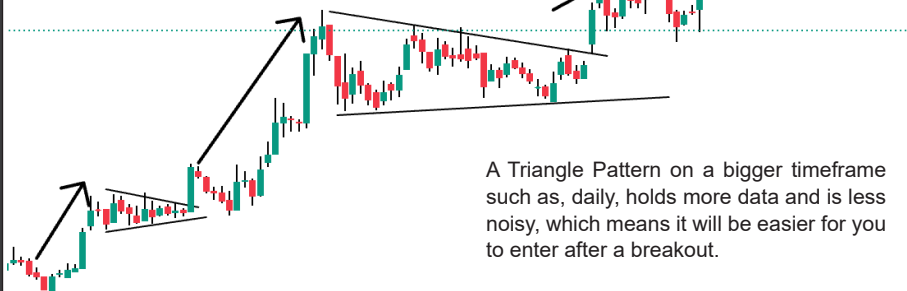


Strategy video



When the bull run began after the Covid crash in the Indian stock market, I noticed a particular pattern in the stocks - consolidation and break out with huge volume. This consolidation and breakout is called the Triangle Pattern.

A Triangle Pattern is formed when the price soars and then goes into consolidation making lower highs and higher lows. The range gets narrower as the day passes and volumes are squeezed out. When I observed this pattern, it was clear in my head that a breakout was about to come. Once the price breaks the resistance, the stock rallies and makes new highs.



A Triangle Pattern on a bigger timeframe such as, daily, holds more data and is less noisy, which means it will be easier for you to enter after a breakout.

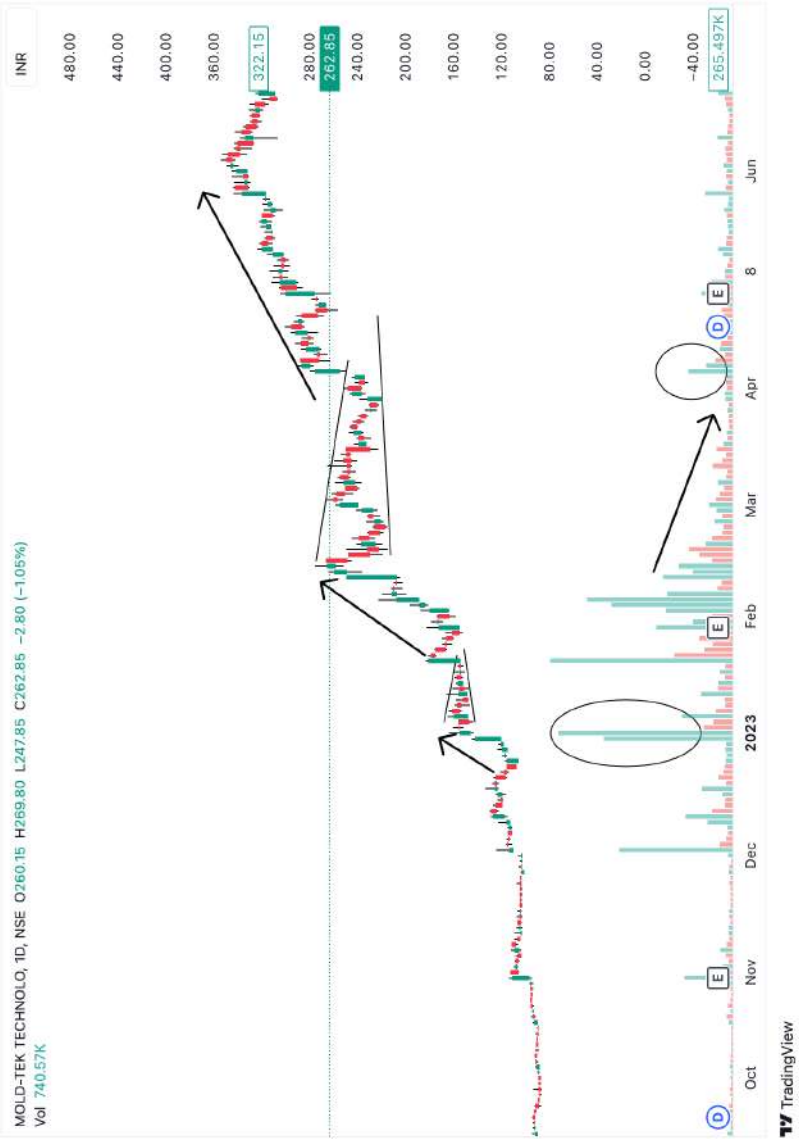


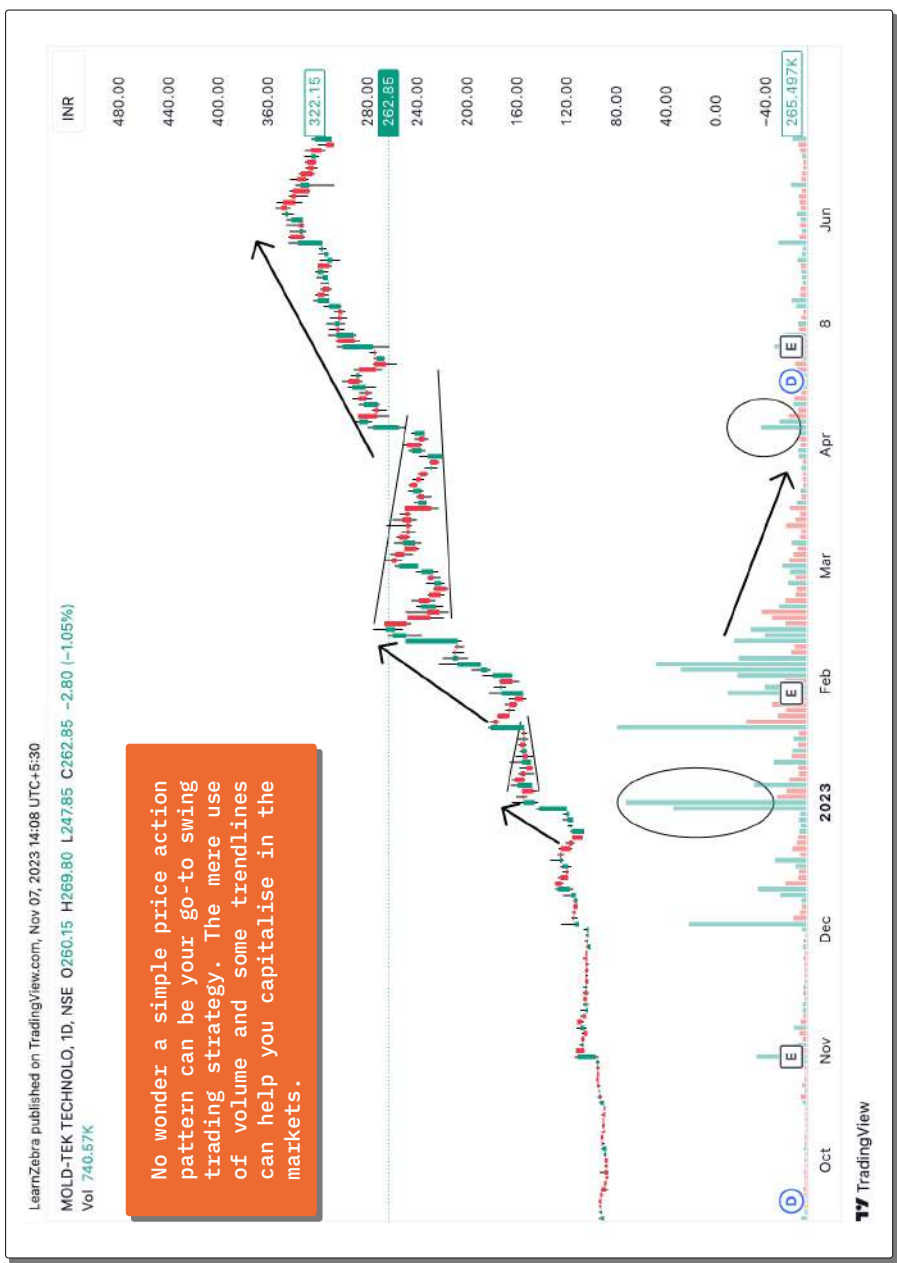
Here are a few stocks which gave a good Triangle breakout:

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

MOLD-TEK TECHNOLO, 1D, NSE O260.15 H269.80 L247.85 C262.85 -2.80 (-1.05%)

Vol 740.57K





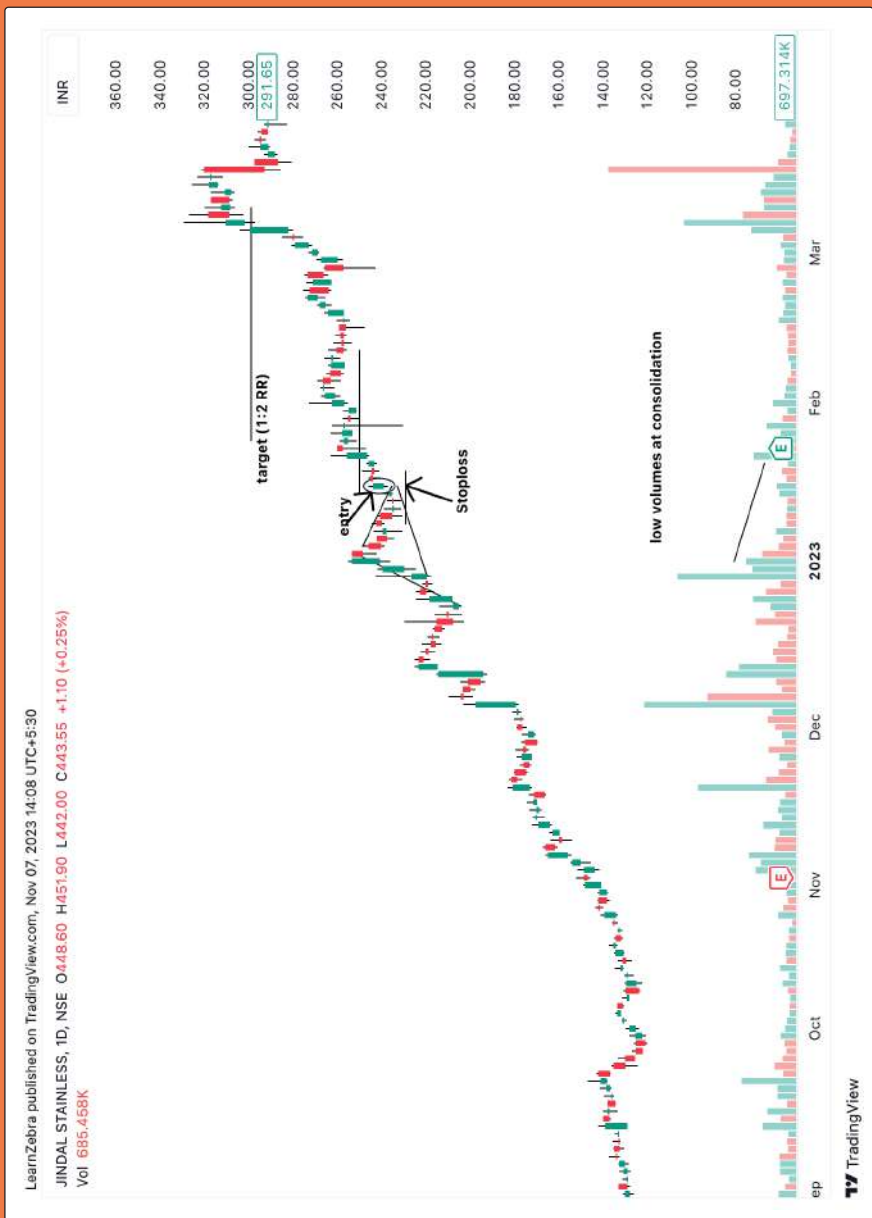
This strategy does not require any complicated indicators like others. A simple combination of a volume indicator and trendlines can do wonders.

To make money from this strategy, your observation of the pattern needs to be sharp.

Since it is a swing trading strategy, you can only create a long position in cash markets.



THE EXECUTION



FOLLOW THESE STEPS TO TAKE ENTRY:

Select the daily timeframe and add a volume indicator to the chart.

Look for an uptrend.

A rally with huge volumes will start the formation of a Triangle Pattern.

After a rally, consolidation will take place. Lower highs and higher lows will form a Triangle Pattern.

Draw trendlines connecting the body of the candles.

You will see a decline in the volume of consolidated candles.

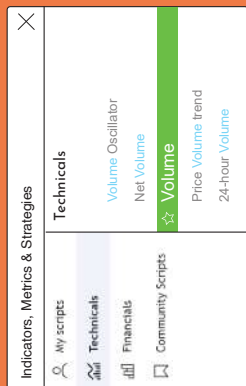
Wait for a breakout candle carrying high volumes.

Note that the breakout candle should be a solid bullish candle.

BUY above the closing price of the breakout candle.

Place **STOPLOSS** below the lower trendline of the Triangle.

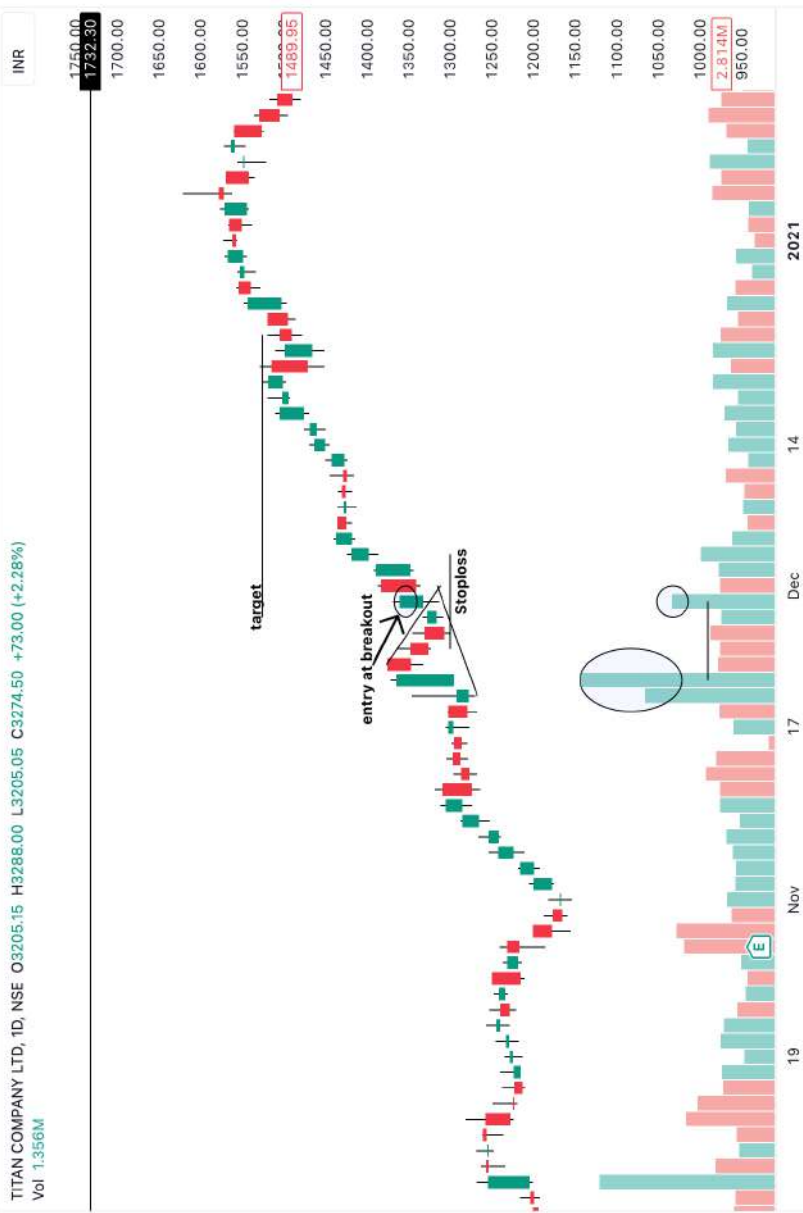
TARGET is a minimum of 1:2 Risk to Reward ratio.





LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

TITAN COMPANY LTD, 1D, NSE O3205.15 H3288.00 L3205.05 C3274.50 +73.00 (+2.28%)
 Vol 1.356M



FROM THE ILLUSTRATION

You can see that TITAN stock is in an uptrend making higher lows. After a small consolidation, a Bullish Marubozu candle is formed with huge volumes giving early indication of Triangle formation.

The Bullish Marubozu candle makes a high of 1371. A consolidation is visible after closing and there is a decline in volumes. The decreasing volumes indicate that a breakout with huge volumes is likely to continue the trend.

A breakout at 1360 level with 5.497M volumes confirms the Triangle breakout, and the price continued to make higher highs.



Indicators



Alert



Replay



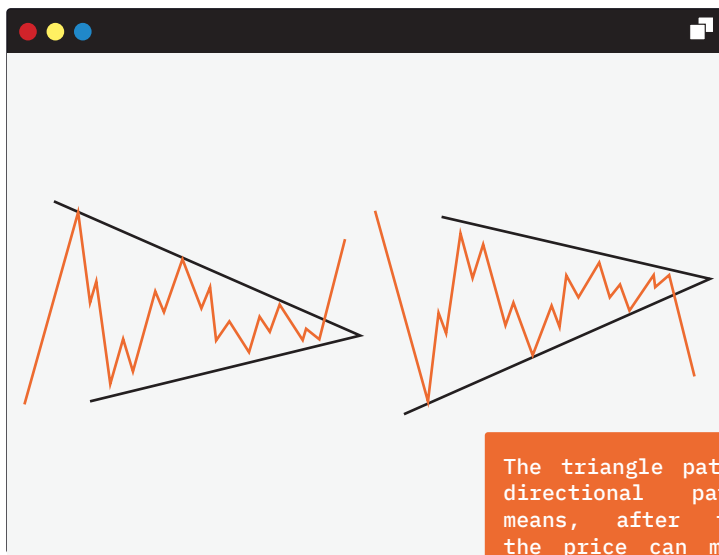
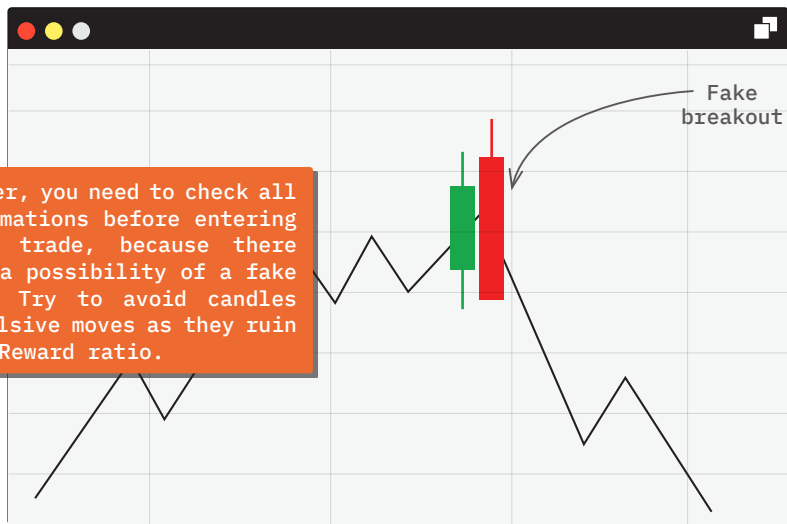
T



ZEBRALEARN



As a trader, you need to check all the confirmations before entering into any trade, because there might be a possibility of a fake breakout. Try to avoid candles with impulsive moves as they ruin the Risk:Reward ratio.



The triangle pattern is a bi-directional pattern, which means, after the breakout, the price can move in either direction.

However, the probability of succeeding with this strategy increases when the Triangle is formed in an uptrend, as it will act like a bullish continuation pattern.

1.5

SWING TRADING WITH INSTITUTIONAL MOVES



Strategy video



Swing trading is a popular trading style that many traders look forward to when they do not want to ride wild moves of the market. It is a trading style that people consider doing as it eliminates the chances of market going wild during a session. During my journey in stock market, I have always heard a name that is known for its style of stock trading. Yes, I am talking about Mark Minervini. Mark Minervini is a successful swing trader who is known for trading fast-moving growth stocks while implementing a concrete entry and exit strategy.





Mr Mark Minervini

Minervini believes that timing your trades is critical and recommends you combine technical analysis, fundamental analysis, and risk management¹. He is famous for trading the volatility contraction pattern (VCP), which he used to win multiple U.S. investing championships.

MINUTES

- 1 min
- 3 mins
- 5 mins
- 15 mins
- 30 mins
- 45 mins



With swing trading, you eliminate the chances of getting trapped by the noise created on a smaller time frame like 5 minutes.

Bigger Timeframe



DAYS

- 1 day
- 1 week
- 1 month
- 3 months
- 6 months
- 12 months





Swing trades are taken with the objective of riding major market swings and the estimated time for a trade completion is between 1 week to a month. However, swing trading is not restricted to trading the primary trends, one can do swing trading on 1-hour also. Minervini's trading strategy allowed him to win multiple U.S. investing championships

Swing trades are taken with the objective of riding major market swings and the estimated time for a trade completion is between 1 week to a month. However, swing trading is not restricted to trading the primary trends, one can do swing trading on 1-hour also. The objective of using swing trading is to generate maximum returns when the market moves in a single direction, to create an Alpha, and beat the index.

WHAT A SUCCESSFUL SWING TRADING LOOKS LIKE?

Look at some swing trade examples that helped Mark Manervini win U.S. investing championships.

When you enter into a swing trade, the first priority is to look for such price levels from where all the days can be of the same colours. If the market turns bullish, it should continue to stay bullish. This will help you gain maximum returns in less time. When the price moves in a smaller swing, it can either consolidate or fail to make a new high. This is why, to maximise returns, always look for price levels that hold significant importance.

In this example, the market made lower highs and lower lows.

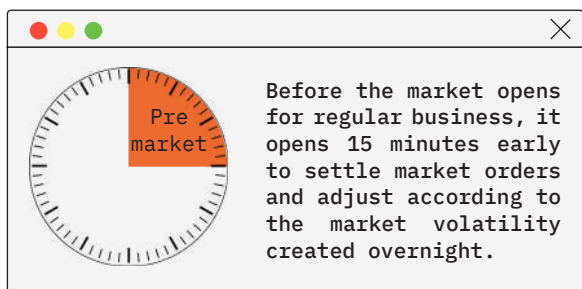
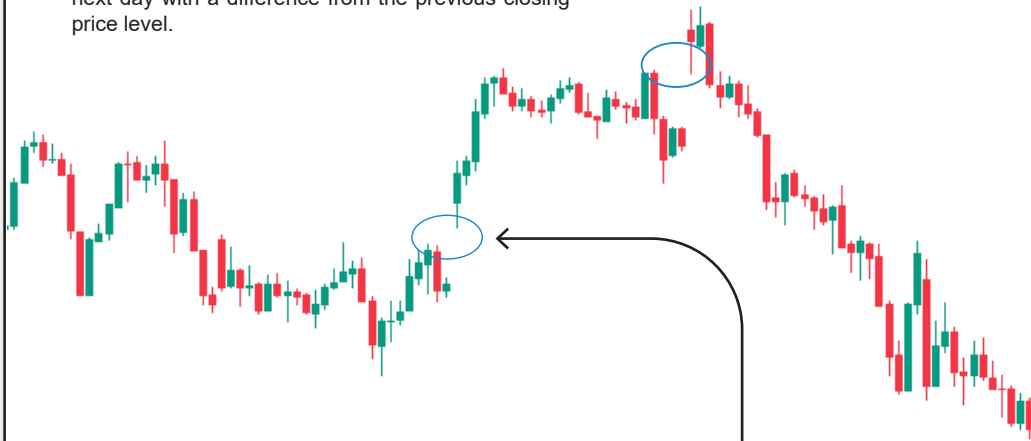


After a few days, it started to appear that the bearish trend was getting exhausted. With an inverted hammer candle with an upper wick, it was confirmed that buyers tried to push the price higher during the trading session.

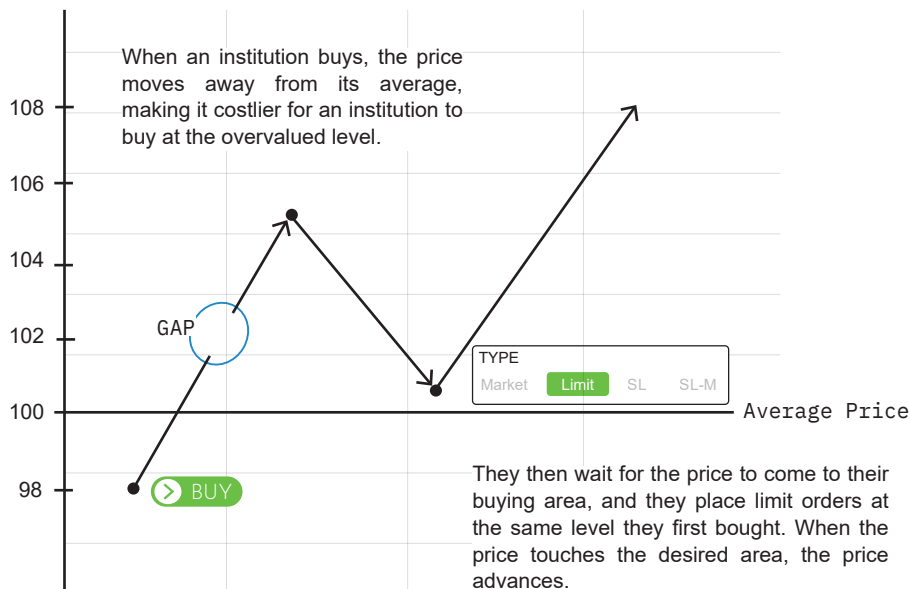


My swing trading journey is somewhat similar to this.

I swing trade only those stocks which have previously opened gap up and are retracing back to their gap levels. Gaps aren't normal, gaps are created when the price opens with huge volumes the next day with a difference from the previous closing price level.

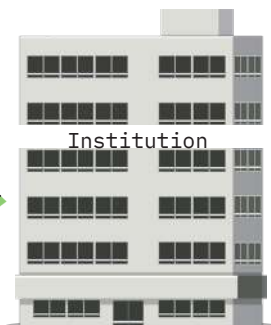


The market discounts everything but have you ever noticed prices sometimes retrace back to their gap level? To answer this, I would say, because of pending order blocks. It is not possible for retailers to create huge gaps, only big players can do this as they buy and sell huge quantities.



Retailers and institutions think differently. Retailers have less money so they try to buy high and sell higher to enjoy the ride. However, little do they know that these market swings are created by big players.

Big players start accumulating when retail investors sell, and this is how they change the bearish trend to bullish.

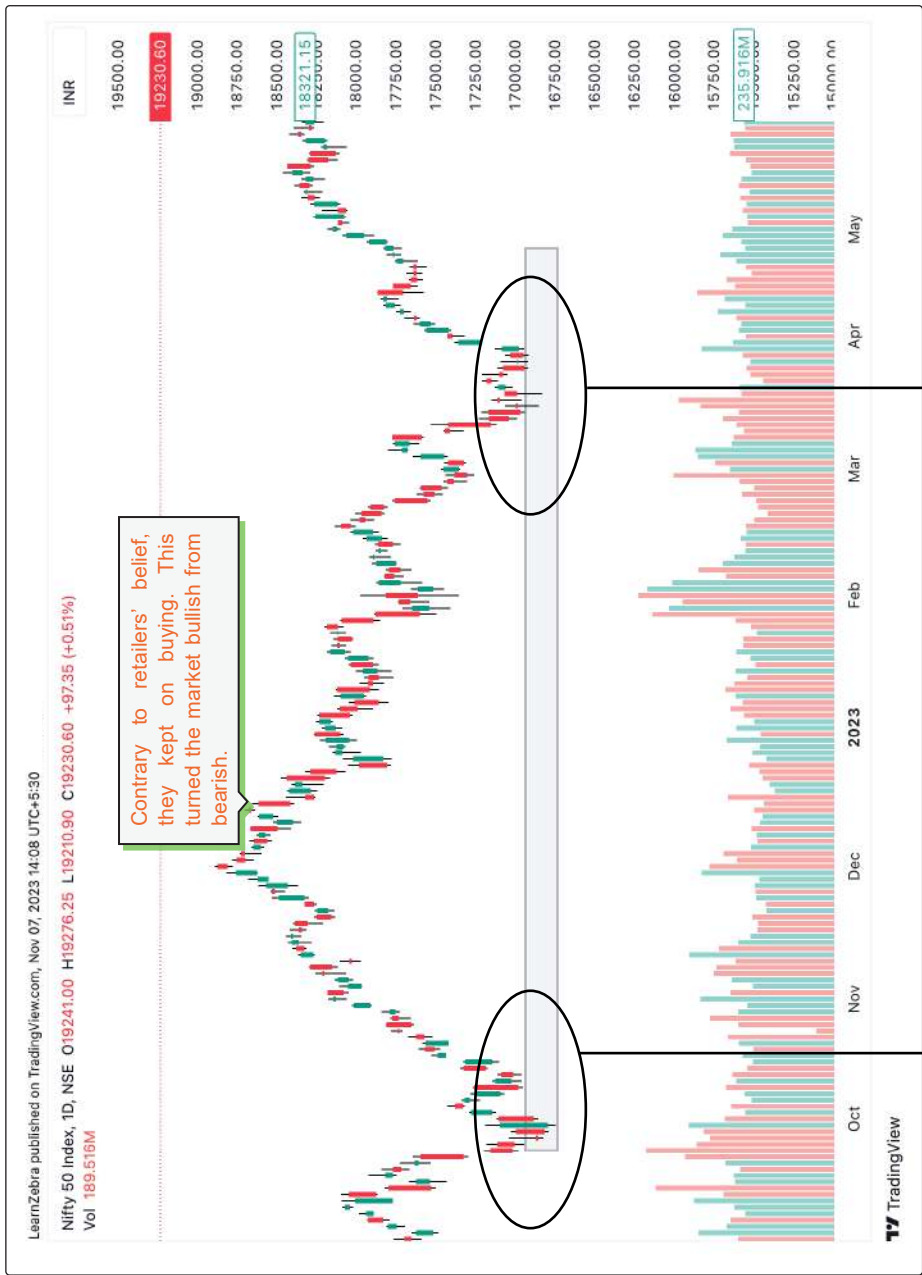


“

”

In my strategy, I wait for the price to touch the demand zone or supply zone, and then trade accordingly.

The idea is to trade on the institution's footprints. I.e. buying and selling near the gap area with the first retracement. When the price retraces for the first time after a swift move, it is likely to go in the desired direction but, if the price fails to move, there is a high probability big players will exit from the trade. **The reason they exit from the trade is simple - they accumulate or distribute without coming into the eyeballs of the public.**





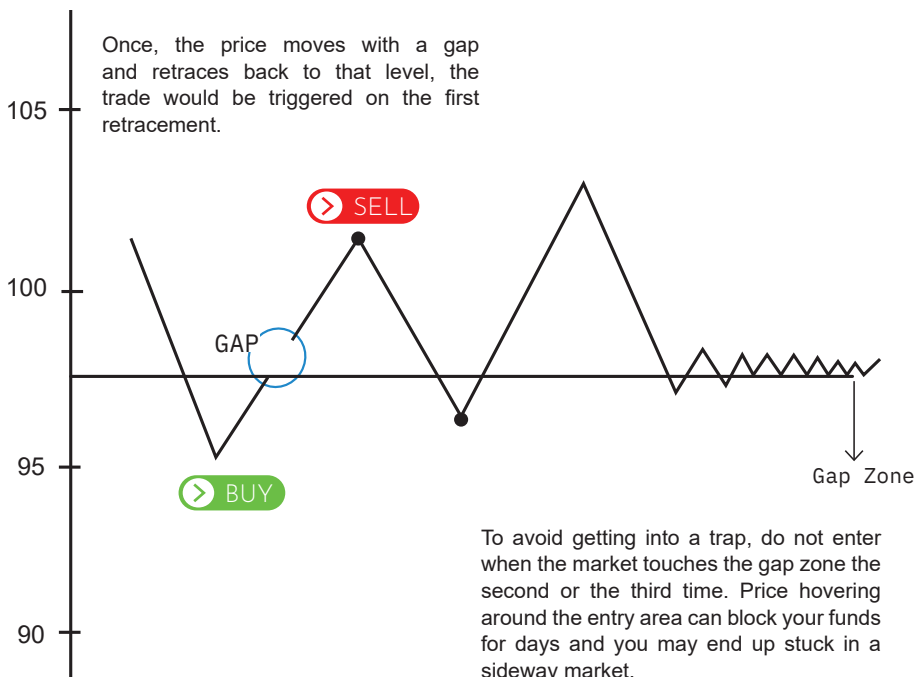
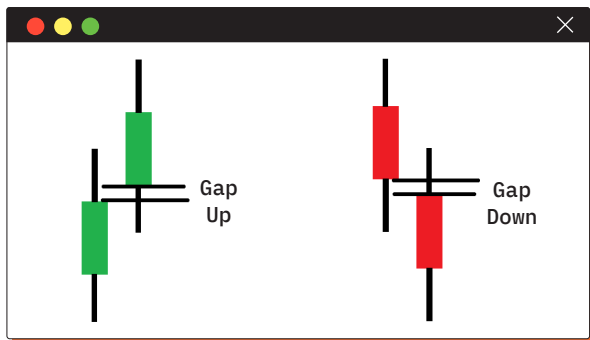
On 30th September 2022, Nifty 50 corrected by 7.34% from the top. If you see, the market sentiment was negative but for value investors and institutions, this was the place where the market was undervalued, they saw an opportunity and started accumulating.

The same thing is visible on the chart during the period of December 2022 to March 2023. Due to negative sentiments in the market and the collapse of a few major US banks, the market was making lower lows. Bears were dominating the market until the price came to the previous demand zone. See, a tenet of technical analysis says "History repeats itself and often rhymes". Lots of short-side trades were open at the 17000 level but the value investors and institutions kept on accumulating. Hence, the market again rallied from the 17000 level to touch new highs again.



THE STRATEGY

For the swing trading strategy, we will pick highly liquid stocks, and prepare a monthly watchlist. On a daily timeframe, we will wait for the price to open a gap up or gap down to mark the demand or supply zone.





-

Liquid ▾		+		ooo
Symbol	Last	Chg	Chg%	
 RELIANC	2496.65	-12.00	-0.48%	
 AXISBAN	948.80	-4.10	-0.43%	
 HDFCBAI	1635.70	-14.20	-0.86%	

7

-

Change interval ⓘ
1 D
1 day

-

-

-

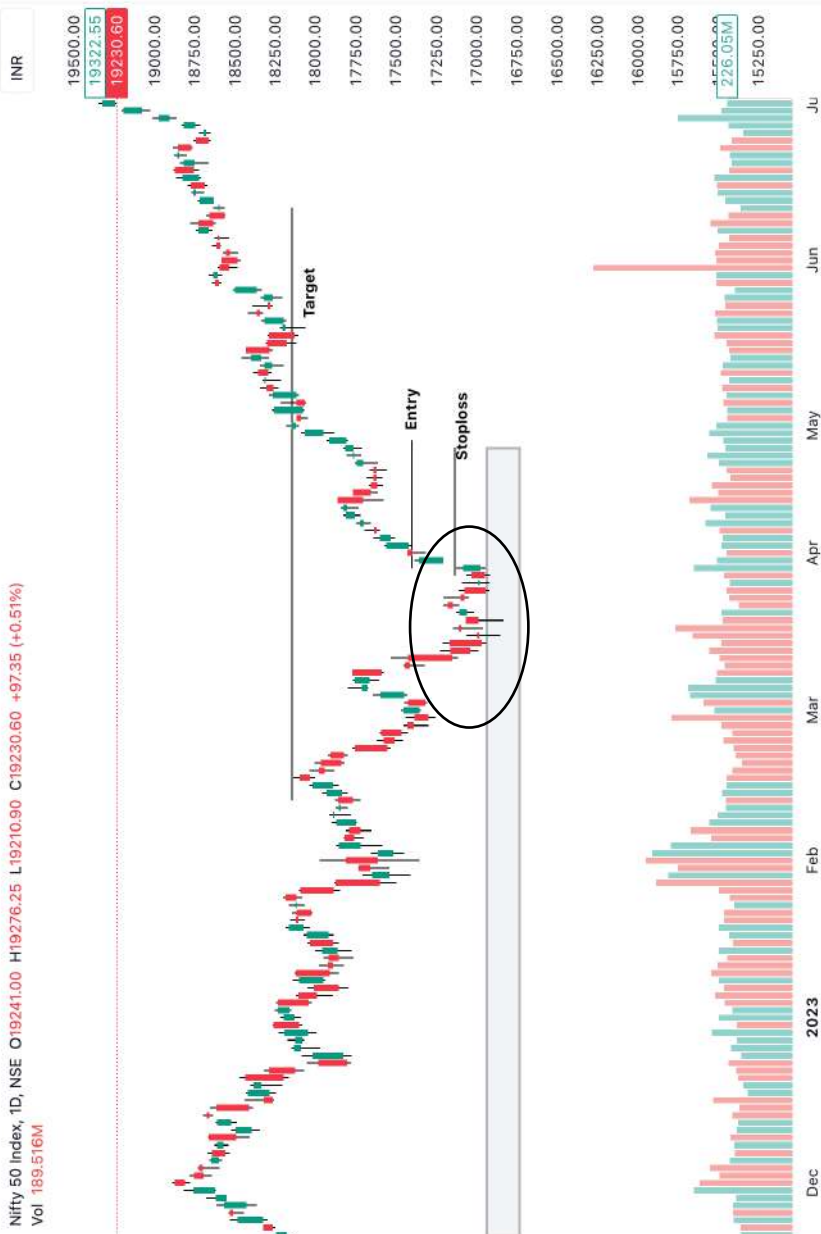
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Nifty 50 Index, 1D, NSE O19241.00 H19276.25 L19210.90 C19230.60 +97.35 (+0.51%)

Vol 189.516M





On 20th March 2023, Nifty reached near to its demand zone and stayed in consolidation for a few days. If you notice, there were candles with lower rejection, meaning the market is interested in moving up as buyers are pushing the price higher.

See, price is consolidating because of accumulation and distribution between institutions and retailers. This consolidation indicates fresh buying by big players. Once the price opened gap up, you can see how it started to advance. Our entry is triggered above the green candle after a gap up and we have placed the stoploss at the low of the gap.

The aimed target is the previous swing high. However, the market created two swing highs, and ideally, the trade should have been closed on 17th April but the major supply zone was at the 18000 level. Since, the market was extremely bullish, it was easy for the price to break the 17800 level. With this strategy, we almost booked a profit of almost 1:3.



To **SELL** using this strategy, take the following steps:

- ✓ Prepare a watchlist of highly liquid stocks.

Liquid ▾		+	
Symbol	Last	Chg	Chg%
RELIANC	2496.65	-12.00	-0.48%
AXISBAN	948.80	-4.10	-0.43%
HDFCBAI	1635.70	-14.20	-0.86%

Source: TradingView

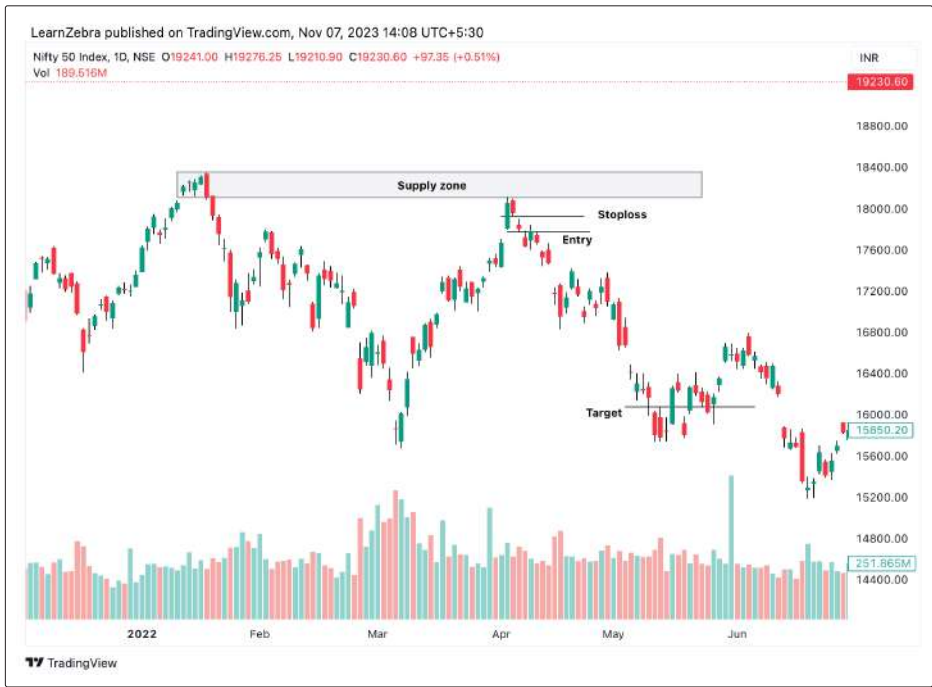
- ✓ Select the daily timeframe for analysis.

Change interval ⓘ

1 D

 1 day

- ✓ Look for stocks where the price is making higher highs and reaching its previous supply zone.
- ✓ Once the price reaches the anticipated supply zone, wait for the market to open gap down and end in red.
- ✓ **SELL** below the low of the bearish candle.
- ✓ Place **STOPLOSS** below the gap.
- ✓ **TARGET** is on a trailing basis, or you can simply find a major support level for the exit.



On 5th April 2022, Nifty 50 reached near its supply zone and ended in Red - a clear indication of bears taking over the market. On the next day when the market opened gap down and made it evident that a short swing trade was possible in this scenario. Now, the sell entry got triggered at the low of the second red candle from the top and the stoploss was at the high of the gap. The target was at the low of the market from where it pivoted on 8th March 2022. With this strategy, we got a profit of almost 1:14. However, to be realistic, not every time you will get such opportunities but, whenever the market offers such moves, you can take an informed decision to trade such swings.





Indicators



Alert

Replay



1.6

TRADING THE BREAKOUTS WITH BB AND WIDTH

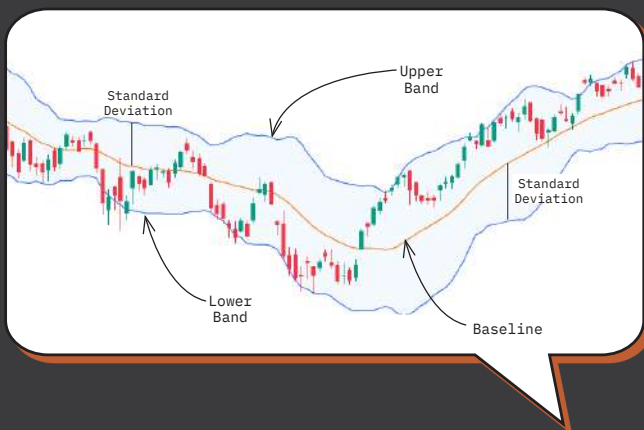


Strategy video

No matter which market you trade, volatility will always be a crucial part of the movements. I have observed the volatility in the crypto and forex market is higher than the Indian stock market. Volatility, for traders, works like a double-edged sword. When a trader knows how to handle volatility and make it work in his favour, he succeeds. However, if he fails to handle the unprecedented volatility, he becomes a victim of the volatility.



John Bollinger, an American author, financial analyst, and contributor to the field of technical analysis, has developed Bollinger Bands and Bollinger Bands Width. He studied the market for several years and found out that there is no measurement tool to gauge the trading range of an asset, and identify when volatility is going to take place.



Bollinger Bands is a tool that uses a combination of three lines - the upper band, the lower band, and the middle band. The upper and the lower band are two standard deviations from the middle band.

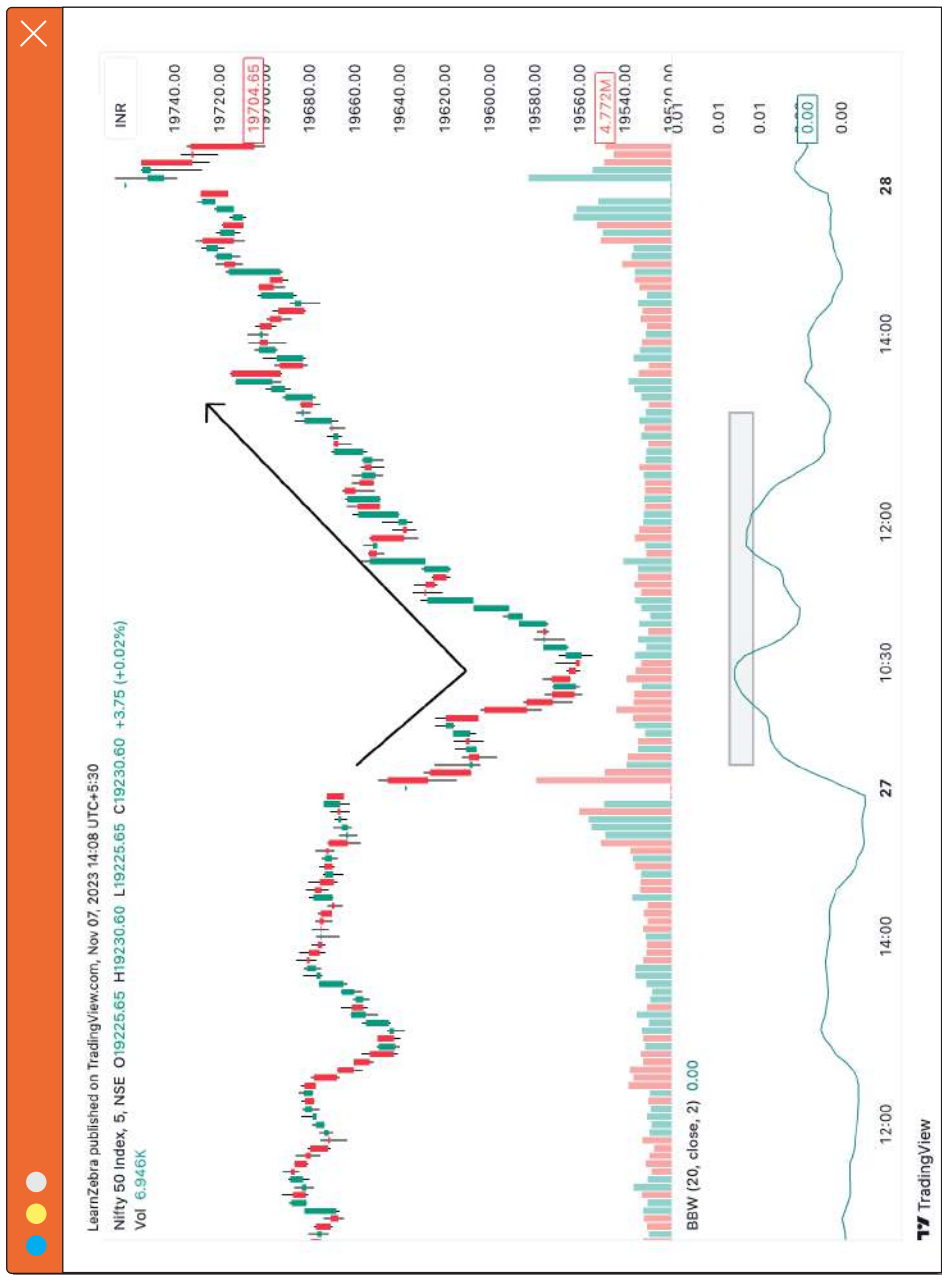
The middle band is a Simple Moving Average with a 20-lookback period. This combination helps you to signal volatility. The Bollinger Band works as an overlay *indicator. i.e. it wraps around the price*. A common yet true belief is that the upper band acts like a resistance and the lower band acts like a support.



When the volatility hits the market, there is a probability that the price will break the upper or lower band and continue to move in the breakout's direction.

For John Bollinger, using only the Bollinger Bands was not enough, he later developed another indicator - *Bollinger Bands Width, an extension of Bollinger Bands*. This is an underlay indicator that helps traders validate the contraction and expansion of Bollinger Bands. When the Bollinger Bands squeezes, the Bollinger Bands Width stays flat and when the Bollinger Bands expands due to volatility, the Bollinger Bands Width starts to rise.

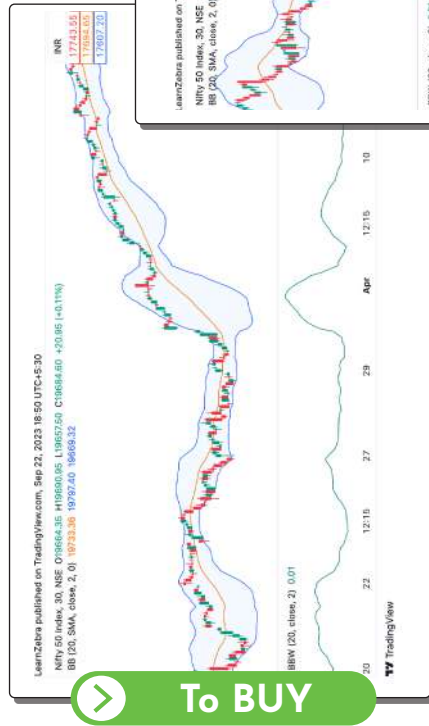




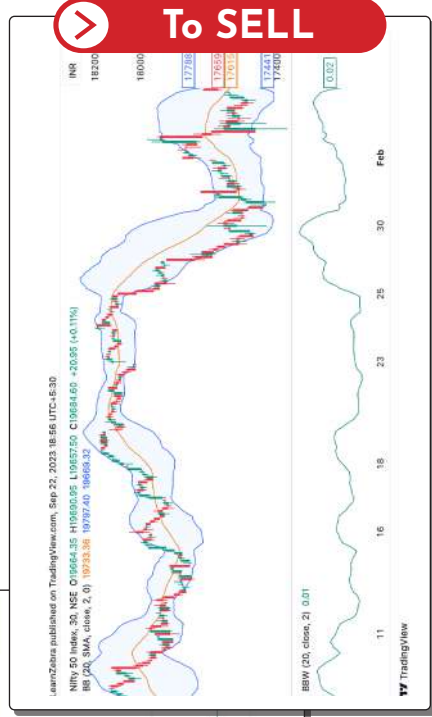
THE STRATEGY

The idea is to buy when the price breaks the upper Bollinger Band and the Bollinger Bands Width increases. This is a swing trading strategy and the preferred timeframe is any frequency above 30 minutes. Prior to the buy signal, the market should be sideways for a while which will squeeze the Bollinger Bands. After a BB squeeze, if the market breaks the range, there is a high probability of the price moving in the breakout direction. The target is on trailing basis, i.e. the middle line of the Bollinger Bands will act like a dynamic support for the price helping traders to trail the stoploss. Once the price closes below the middle line traders should close the trade.

Similarly, when the market is making lower lows but has stuck at a support level, we will look for the price breaking the Bollinger Band squeeze and the market forming a bearish candle.



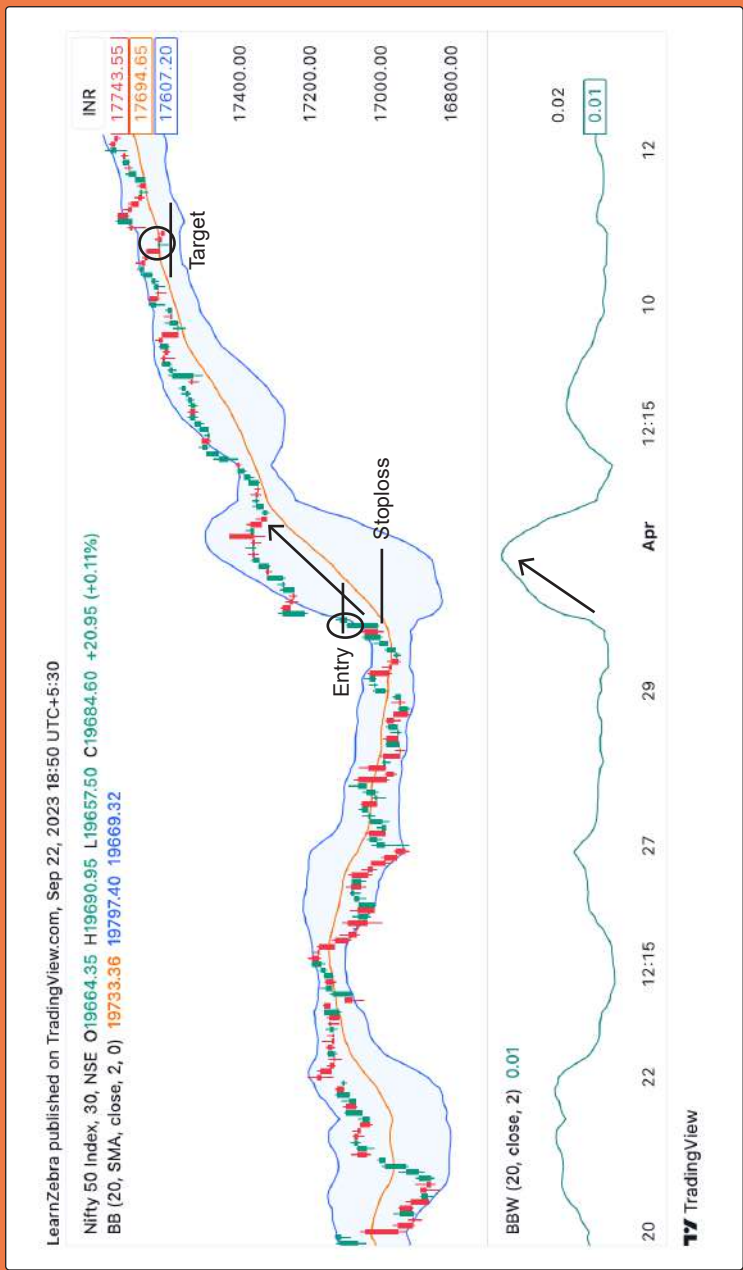
To BUY



To SELL



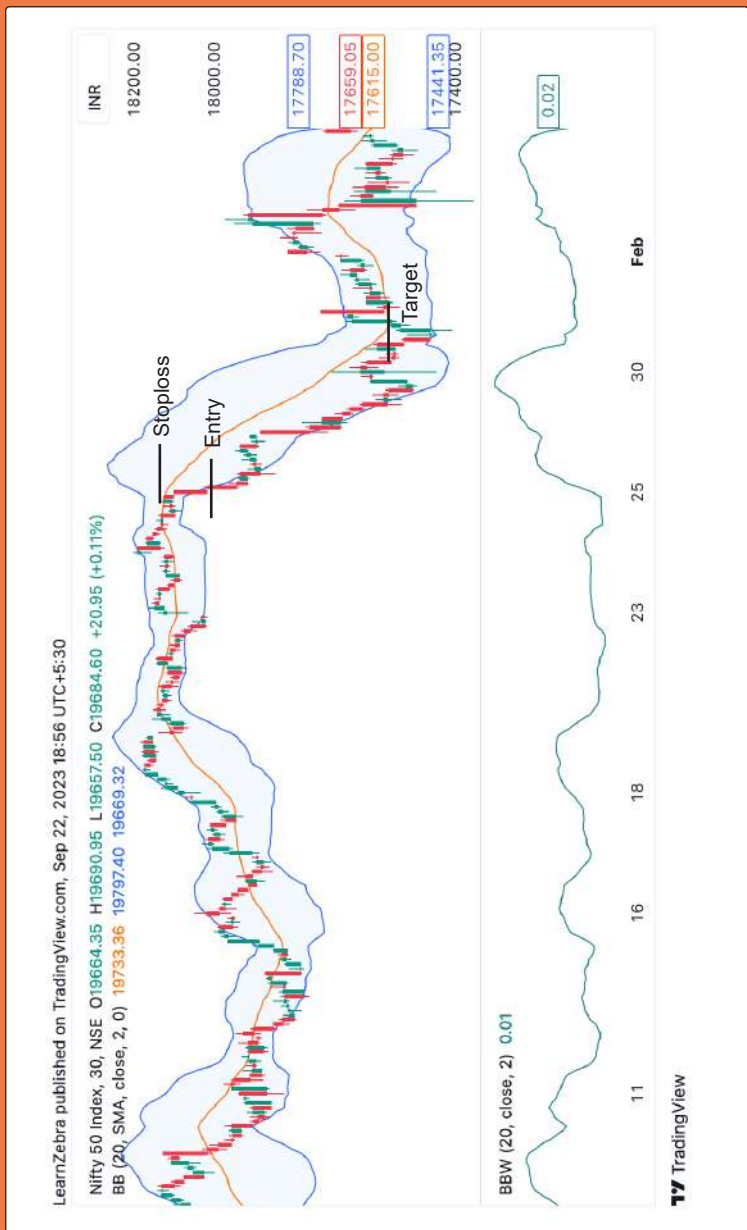
THE EXECUTION



Place **STOPLOSS** below the middle Bollinger Band.

69

> TO SELL





TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Prepare a watchlist of stocks.

Apply Bollinger Bands and Bollinger Bands Width.

Look for a Bollinger Bands squeeze and the Bollinger Bands stay flat.

Wait for the price to break the lower Bollinger Band.

SELL when the price breaks the lower Bollinger Band and the Bollinger Bands Width rise.

TARGET is on trailing basis - if the price closes below the middle Bollinger Band, the trade should be closed.

STOPLOSS may be placed above the middle Bollinger Band.

From 19th January to 24th January 2023, the market was sideways. On 25th January the market broke the lower Bollinger Band and the Bollinger Bands Width started to rise. For the next few days, the market fell aggressively giving a good short-side trade. The trade was closed when the price closed above the middle Bollinger Band on 30th January 2023. With this strategy, the booked profit was almost 2.65% with a Risk to Reward ratio of 1:5.12.





Indicators



Alert



Replay



1.7

ICHIMOKU CLOUD INDICATOR

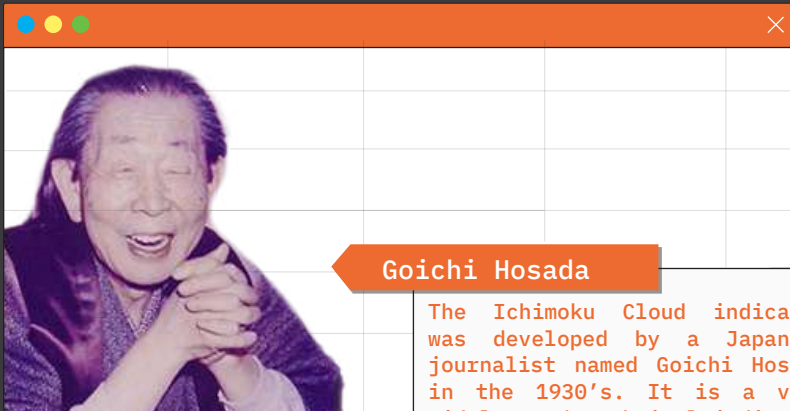


Strategy video

If you are reading about the Ichimoku Cloud for the first time, it might look as a bit complex indicator at first. However, trust me very few technical indicators give as clear trading signals as this indicator.

In this chapter, we are going to talk about a swing trading strategy involving the Ichimoku Cloud for buying and selling stocks.

INTRODUCTION



Goichi Hosada

The Ichimoku Cloud indicator was developed by a Japanese journalist named Goichi Hosada in the 1930's. It is a very widely used technical indicator which offers multiple valuable insights of the price charts.

The Ichimoku Cloud indicator is created by combining multiple indicators to help traders identify support and resistance levels, to determine the trend direction, and the momentum of a stock. All of this is done by simply applying the indicator on the price chart.



The Ichimoku Cloud indicator is made of five components:

- A Conversion Line (which is a 9-period Moving Average)
- A Base Line (which is a 26-period Moving Average)
- The Lagging Span (which is the closing price plotted 26 periods in the past)
- Leading Span A (which is the average calculation of the Conversion Line and the Base Line)
- Leading Span B (a 52-period Moving Average)

Ichimoku

Inputs **Style** Visibility

☒	Conversion line		
☒	Base Line		
☒	Lagging Span		
☒	Leading Span A		
☒	Leading Span B		

Cancel **Ok**

Unlike Simple Moving Average that only considers the closing price, the averages used in the Ichimoku Cloud indicator take into account both the high and low of the price over a specific number of periods. These averages are also used to plot the Cloud, which helps traders in predicting the future price movements.



The Ichimoku Cloud is also known as “Ichimoku Kinko Hyo” which means “One glance equilibrium chart” or “chart at a glance” in Japanese.

The name of the indicator resembles its quality of providing a comprehensive view of the market via a single indicator. Goichi Hosada introduced this indicator with the very same aim of capturing multiple market dynamics at one glance and offering clear and better trading opportunities.



FORMULAS USED IN THE ICHIMOKU CLOUD

For understanding how the Ichimoku Cloud generates trading signals, you need to know the formulas behind its components.

1

Tenkan-Sen Line or the Conversion Line

The Tenkan-Sen Line or the Conversion Line is the midpoint of the last 9 periods. It is calculated by adding the highest high and the lowest low points of the last 9 periods and then dividing the sum by 2.

2

Kijun-Sen Line or the Base Line

The Kijun-Sen Line or the Base Line is the midpoint of the last 26 periods. It is calculated by adding the highest high and the lowest low points of the last 26 periods and then dividing the sum by 2.

3

Senkou Span A Line or the Leading Span A

The Senkou Span A or the Leading Span A is the average of the addition of the Conversion Line and the Base line. It is plotted 26 periods ahead on the price chart.



4

Senkou Span B Line or the Leading Span B

The Senkou Span B or the Leading Span B is calculated by adding the highest high and the lowest low of the last 52 periods. It is also plotted 26 periods ahead on the price chart.

5

Chikou Span Line or the Lagging Span

The Chikou Span Line or the Lagging Span is the closing price plotted 26 periods backward on the price chart.



Basic level understanding of these formulas allows you to grasp how the trading signals are generated in the Ichimoku Cloud indicator. This indicator can help you take much more informed trading decisions.

Now, let's have a look at the trading strategy which we will be using with the Ichimoku Cloud.

TRADING WITH ICHIMOKU CLOUD INDICATOR

Okay, so now let's talk about some ground rules before going into the strategy. There are only 2 rules that you have to follow.

- 1 Look for buying opportunities when the Conversion Line (Blue line) is above the Base Line (Red line) and vice versa for selling.
- 2 Only buy when the price has closed above the cloud and only sell when the price has closed below the cloud.

The strategy used in the following image is a swing strategy and you can implement this by using a 1-hour or a daily trading timeframe. First of all, let's know how to buy stocks using the Ichimoku Cloud indicator.

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Nifty 50 Index, 1h, NSE O19241.90 H19249.95 L19220.20 C19230.60 -10.45 (-0.05%)
Ichimoku (9, 26, 52, 26) 19191.60 19124.97 19230.60 19158.29 19057.05

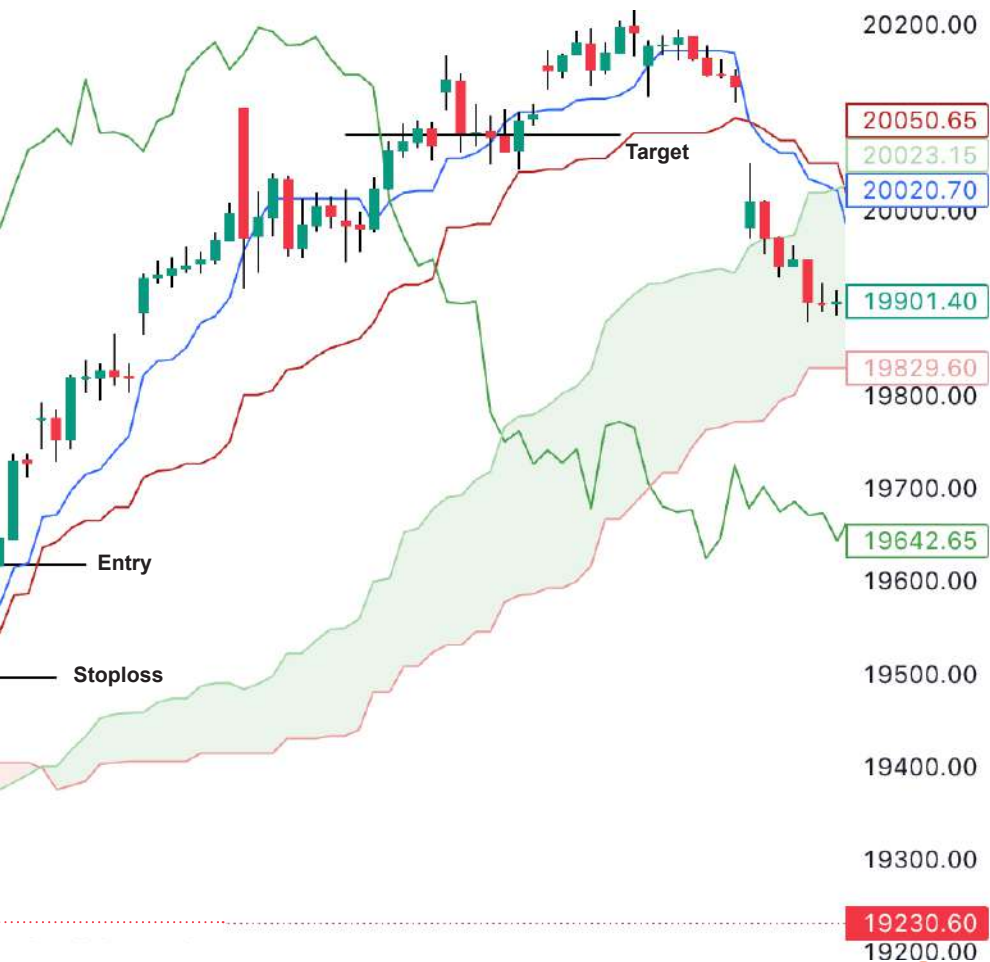
Disclaimer: The optimisation of this strategy is to enter into a trade when there is a pullback and the stoploss is placed at the pullback level. Thus, this decreases the chance of price hitting the stoploss



TradingView

The following price chart is of Nifty 50. Keeping both of the rules in mind, look at the highlighted candle. This is where the Conversion Line and Base line crossover has happened. You have to start looking for buying opportunities at this point. However, let's not take a bullish entry unless the price closes above the cloud.

After a few candles, the nifty closed above the cloud. (Look at the highlighted Pin bar candle). This is where we are going to take a bullish entry while keeping the stoploss at the same level as Leading Span A (or the green line of the cloud). As the market goes in your favor, you can trail your stoploss. As this is a swing trading strategy, you can easily watch out for targets with a 1:3 ratio.



Now, let us talk about how to short using the Ichimoku Cloud

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Nifty 50 Index, 1h, NSE O:19241.90 H:19249.95 L:19220.20 C:19230.60 -10.45 (-0.05%)
 Ichimoku (9, 26, 52, 26) 19191.60 19124.97 19230.60 19158.29 19057.09



If you reverse all the things we talked about for buying, you get all the ground rules for selling with Ichimoku Cloud. Notice the Conversion Line going below the Base Line. This is where you must be alert as a trader. We take a short position when a candle closes below the cloud. Keep the stoploss as same level as the Leading Span A.

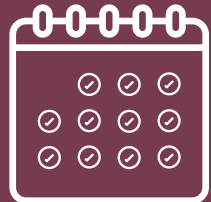
CONCLUSION

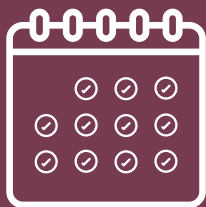
The Ichimoku Cloud is a powerful technical tool which provides you with insights of the overall market dynamic of a price chart. When traded with rules, it can help you make well-informed trading decisions and boost the efficiency of your analysis to a great extent.

[illegible]

CHAPTER 2

INTRADAY STRATEGIES





- | | | | |
|-----|---|-----|---|
| 2.1 | Moving average and Fibonacci | 2.4 | Buy/sell with RSI and volume oscillator |
| 2.2 | Ride the trend with Supertrend | 2.5 | Wait and trade the Pullback |
| 2.3 | Analyzing Pivot Points Using VWAP and Standard Deviations | 2.6 | Double RSI |
| | | 2.7 | CPR with trend following |





2.1

MOVING AVERAGE AND FIBONACCI



Strategy video

It was June 2014, when the market started moving upward. I noticed pattern. The market was taking pullbacks every time after making a new high. The pattern was not random. After observation, I found that the price was touching the Fibonacci levels and then continued to move upwards.

The stock market is not random. Everything holds some fundamentals.

Be it the price moving in a trend or having short-term pullbacks to a level, I observed this pattern on a daily timeframe which has more significant data and is less noisy. As an intraday trader, I was curious to test this out on a small 5-minute timeframe because it is noisier and most intraday traders prefer to use this timeframe.

Post the market hours, sipping my coffee, I backtested the combination of the 200-day Moving Average and Fibonacci Retracement on a 5-minute timeframe. Without an iota of doubt, it gave me the expected result. I.e price respecting technical indicators. Generally, if you observe, price does not respect technical indicators much on the smaller timeframe, but, it did.





THE STRATEGY

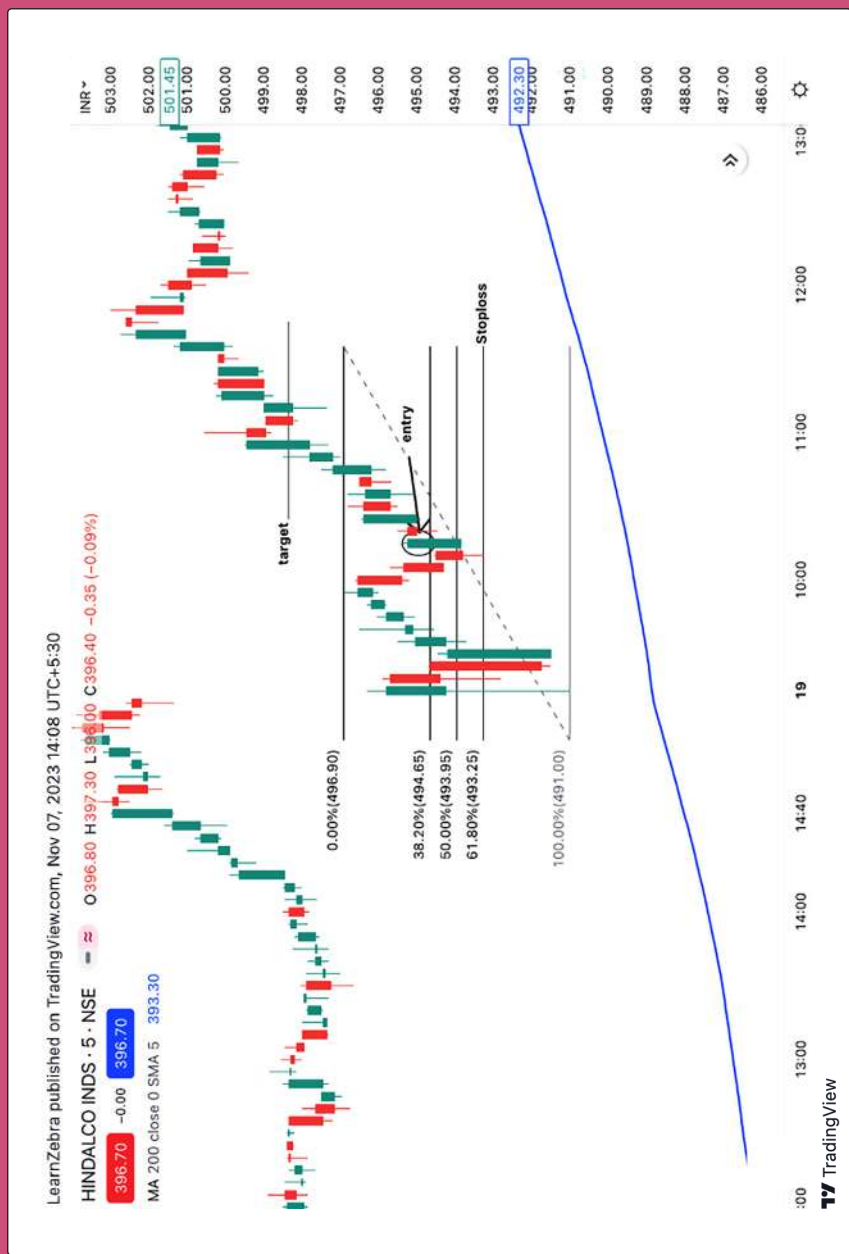
This strategy is the handiest strategy you will ever find. Using this strategy, I observed that if the price is above the 200-day Moving Average on the 5-minute timeframe, then the market is in an uptrend and vice-versa. The second task is to apply the Fibonacci Retracement tool and look for key support and resistance levels. *This is an intraday strategy, which means you can also take short positions.*



In the above illustration, you can see how the price behaved and moved upward after breaking the 200-day Moving Average from below.



> THE EXECUTION





— TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to the 5-minute timeframe.

Apply the 200-day Moving Average to the chart.

If the price is in an uptrend, draw the Fibonacci from swing low to swing high.

Price above the Moving Average has the possibility to correct till any of the Fibonacci levels.

At any level, if you notice the price is taking support and is forming a bullish candle, place your **BUY** order at the high of the closing candle.

Place **STOPLOSS** at the lower Fibonacci level.

TARGET at 0% Fibonacci level or a minimum of 1:2 Risk to Reward ratio.

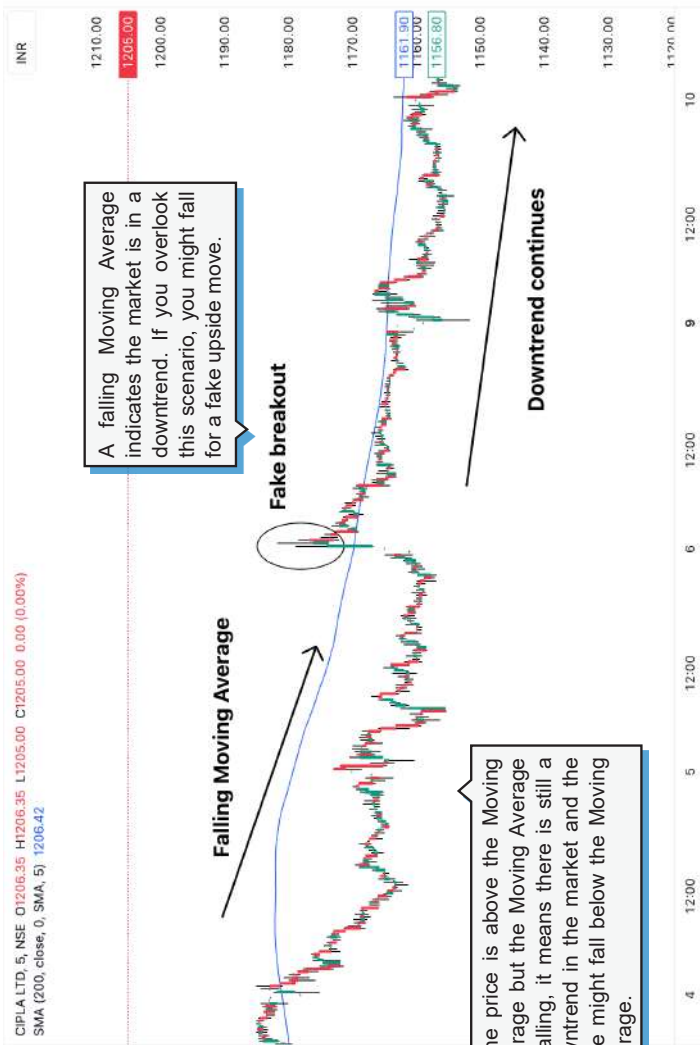
A THING TO REMEMBER

With the price moving above the Moving Average, there is one more factor which needs to be considered while taking a buy trade. And that is the inclination of the Moving Average.



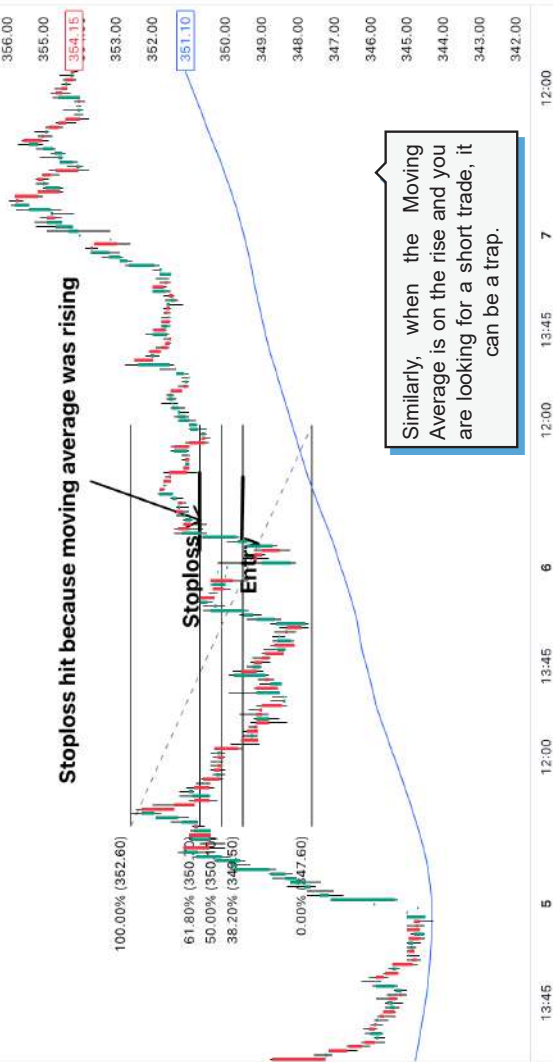
LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

CIPLA LTD, 5, NSE O1206.35 H1206.35 L1205.00 C1205.00 0.00 (0.00%)
SMA (200, close, 0, SMA, 5) 1206.42

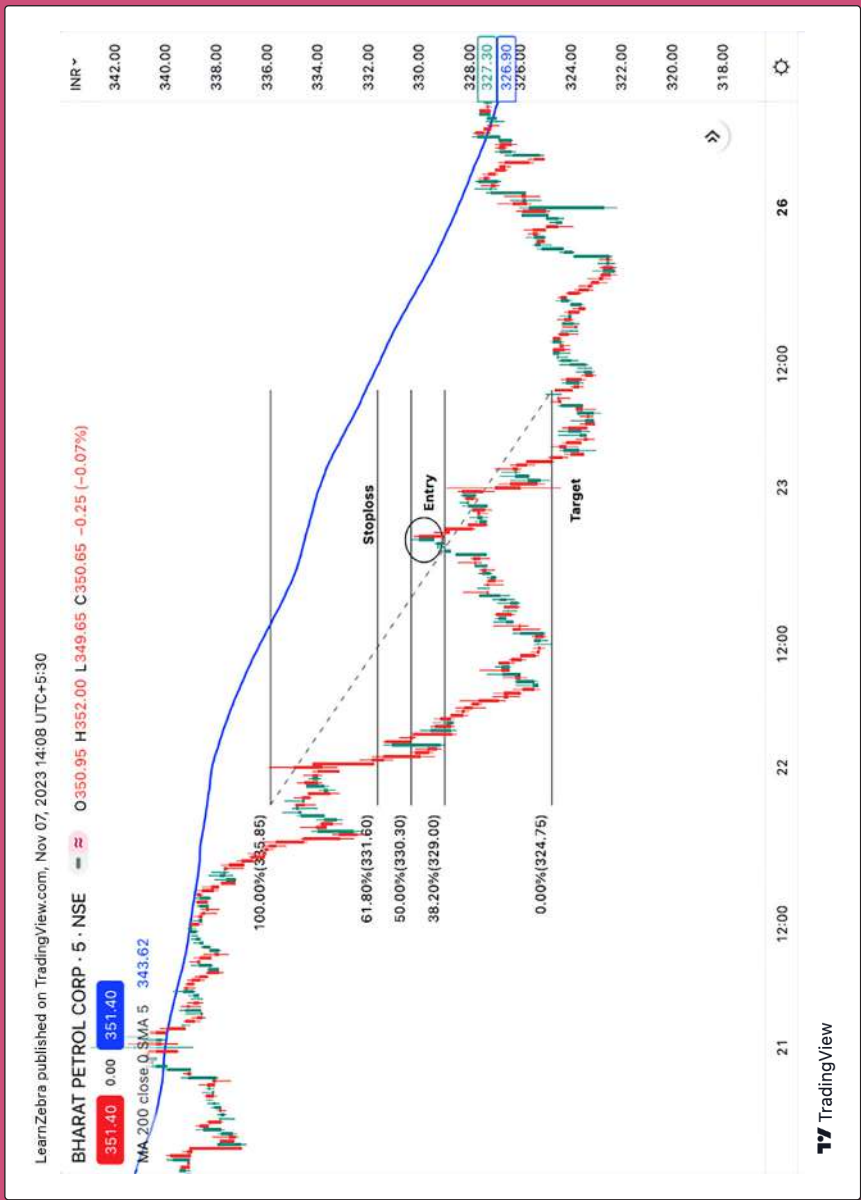


TradingView

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30
 BHARAT PETROL CORP. 5, NSE O36150 H36150 L36150 C361.50 +0.50 (+0.14%)
 SMA (200, close, 0, SMA, 5) 360.50



> **TO SELL**





TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to the 5-minute timeframe.

Apply the 200-day Moving Average to the chart.

If the price is in the downtrend, draw the Fibonacci from swing high to swing low.

Price below the Moving Average has the possibility to correct till any of the Fibonacci levels.

At any level, if you notice the price is facing resistance and forming a bearish candle, place your **SELL** order at the high of the closing candle.

Place **STOPLOSS** at the upper Fibonacci level.

TARGET at 0% Fibonacci level or a minimum of 1:2 Risk to Reward ratio.

As you can see in the illustration, the price was below the falling 200-day Moving Average and making lower highs. This is a trend confirmation which takes us to see the swing highs and swing lows of the Fibonacci Retracement tool.

At the 50% Fibonacci level, the price faced resistance and formed a Bearish Engulfing candle. This now triggers the sell order for a trader. Once the entry is taken at the low of the Bearish Engulfing candle, the stoploss can be put at the upper Fibonacci level and target can be at 0% Fibonacci level or at a minimum Risk to Reward ratio of 1:2.



2.2

RIDE THE TREND WITH SUPERTREND



Strategy video



When I started my trading journey, it was full of ups and downs like a roller-coaster ride. I always wanted a system which could help me ride the trend.

Since I love trends, I was curious to build a system that could help me and others enjoy the same. So, I tried and tested different indicators for a trend-following system but didn't get the desired results.



Supertrend



The Supertrend indicator caught my attention in 2016 when I met a trader who was using it. By name, it sounded like the tool I was looking for.

According to traders, 70% of the time the market stays sideways and this indicator tells you when the market is in an uptrend or downtrend. *When the market is sideways, it gets difficult to make money because a directionless market leads nowhere.*

Change Interval ⓘ

5

5 minutes

One day, I decided to test the Supertrend indicator on the 5-minute timeframe for intraday. It performed well, but to be honest, I couldn't trust one day of testing.



So I decided to test it for several months and found that once the price remains sideways until it breaks a certain level. This analysis made me tweak the strategy and I figured out where am I going wrong.

Later, I found the price pivots from its support and resistance. For a human, it is nearly impossible to figure out every time what are the levels, so I decided to combine standard Pivot points with the Supertrend and it started giving me the expected outcomes.





Pivots

Inputs Style Visibility

LEVELS

Line Width

P	☐		
S1	☒	R1	☒
S2	☐	R2	☐
S3	☐	R3	☐
S4	☐	R4	☐
S5	☐	R5	☐

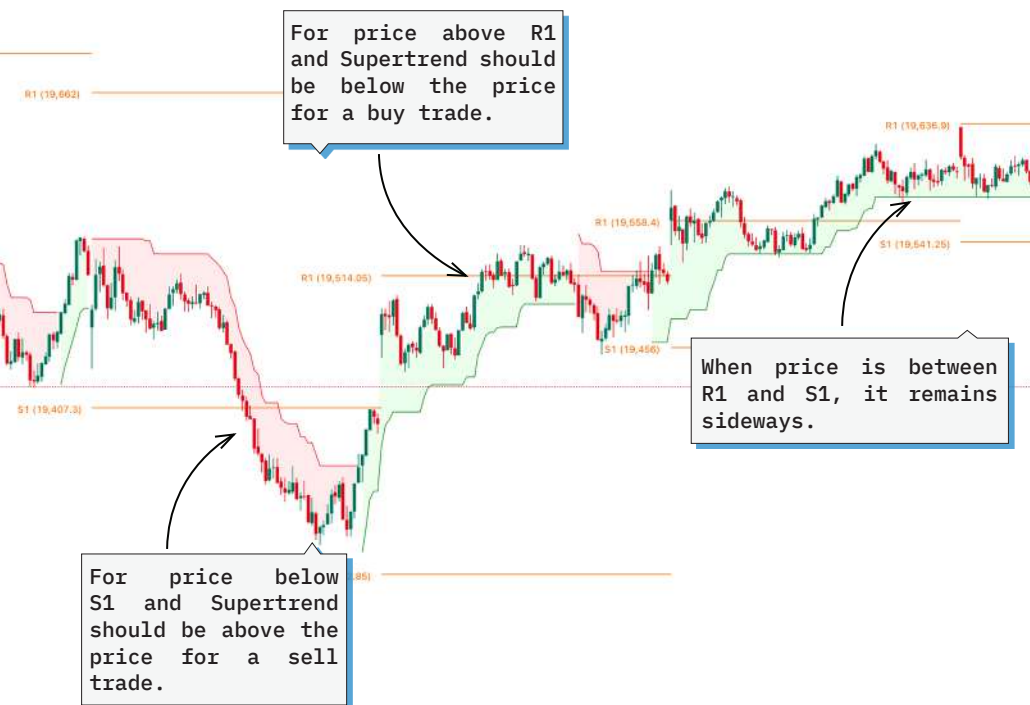
Defa...

I kept on testing it and found that the price was in a range until it breaks Support 1 or Resistance 1. The centre Pivot line couldn't help me ride a trend. With an intriguing thought, I disabled the Pivot line and used only the R1 and S1 as the two were sufficient to get into a trend. With this setting, I tested the market and got my trend-following system.



THE STRATEGY

This is a trend-following intraday strategy which works on a 5-minute timeframe. You can use this strategy to buy and sell the markets. The strategy is simple, combine the Supertrend indicator with Standard Pivot Points. The idea is to look for the price to go above the R1 and Supertrend should be below the price for a buy trade and vice versa. I have observed that when the price is between the R1 and S1, it goes sideways.





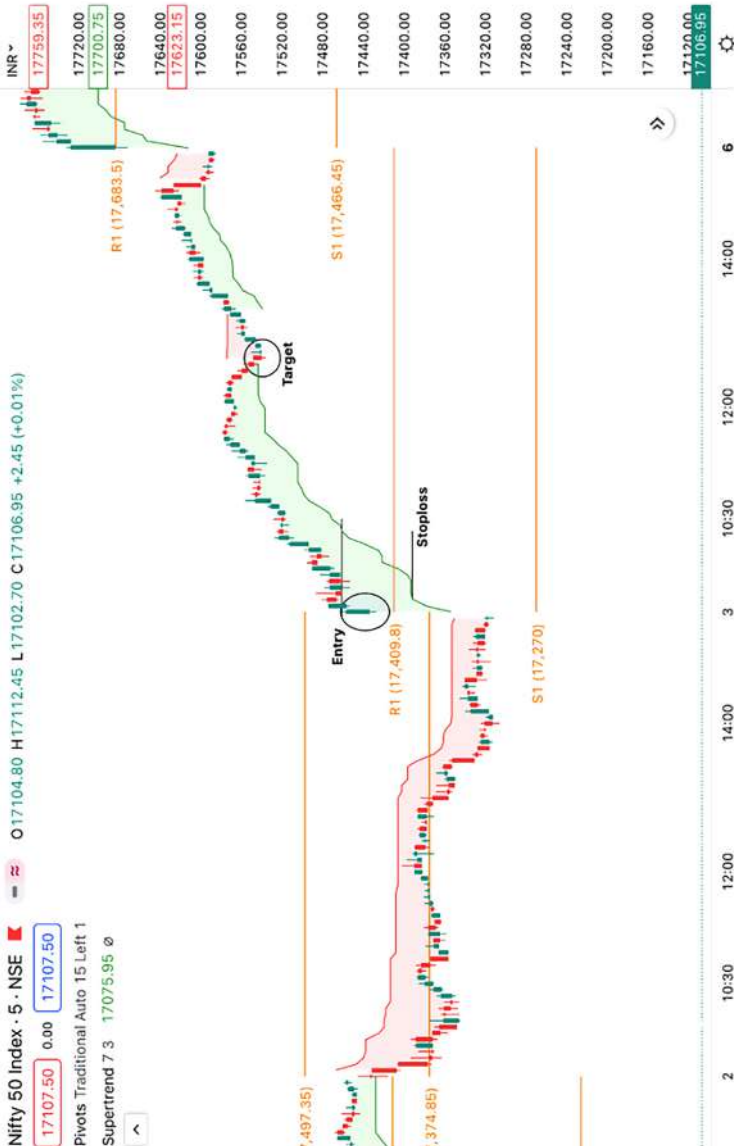
LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

Nifty 50 Index - 5 · NSE O 17104.80 H 17112.45 L 17102.70 C 17106.95 +2.45 (+0.01%)

17107.50 0.00 17107.50

Pivots Traditional Auto 15 Left 1

Supertrend 7 3 17075.95



TradingView



— TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to 5-minute timeframe.

Apply Supertrend to the chart.

Set the ATR range to 7.

Apply Standard Pivot Points with only S1 and R1 points enabled.

Wait for the price to break the R1.

And let the price stay above the Supertrend.

Once both conditions are met, wait for a bullish candle to form.

BUY above the closing of the bullish candle.

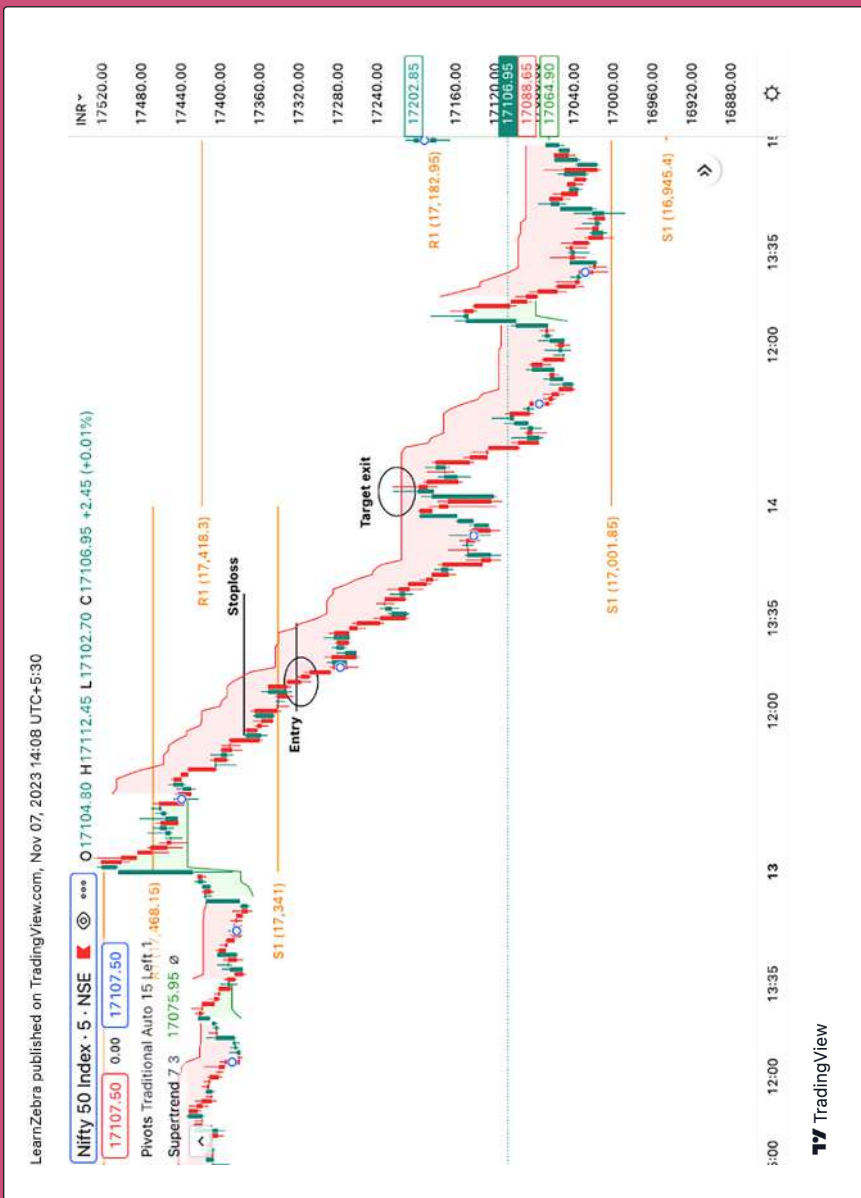
STOPLOSS may be placed below the Supertrend.

The **TARGET** is at the trader's discretion or exit when the price closes below Supertrend.

In the above illustration, you see that the first 5-minute candle opened above the R1 and is 90% bullish candle. This indicates that the market is bullish and is ready to move upward. Also, the Supertrend is also bullish from the first candle. That is price is above the Supertrend. The entry is triggered above the closing of the first bullish candle. Since we are using Supertrend, it acts like the stoploss and the trade is exited at the closing of the candle below the Supertrend.



➤ **TO SELL**





TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to 5-minute timeframe.

Apply Supertrend to the chart.

Set the ATR range to 7.

Apply Standard Pivot Points with only S1 and R1 points enabled.

Wait for the price to break the S1.

And let the price stay below the Supertrend.

Once both conditions are met, wait for a bearish candle to form.

SELL below the closing of the bearish candle.

STOPLOSS may be placed at the super trend.

The **TARGET** is at the trader's discretion or exit when the price closes above the Supertrend.

In the above illustration, it is clear that the market opened with a big green candle but in the later phase price broke the S1 and fell below it. The Supertrend was already bearish which gave a confirmation of the trend continuation if the S1 is broke. The entry triggered at the low of the first red candle below S1 and stoploss could be seen at the swing high near the Supertrend. The exit is triggered when the price crossed the Supertrend from above but since this was an intraday trade we needed to close the trade at 3:15 PM.

Both of the illustrations are a proof that if followed holistically, this strategy can give good returns.

As a trader, it is your responsibility to test these strategies on your own. Every trader carries different temperament with respect to market's volatility. Try and test strategies and figure out which one works best for you.





Indicators



Alert

>> Replay



2.3

ANALYZING PIVOT POINTS USING VWAP AND STANDARD DEVIATIONS



Strategy video

While travelling to surat in 2018, I met Vijay. He introduced himself as an intraday trader. We discussed how the market has been performing.

He told me he is pretty bullish on the Indian market. Out of curiosity, I asked him what's his trading strategy and how he stays calm during losing streaks. I questioned everything that was on my mind.

This intrigued me to try the VWAP on different securities like indices, stocks and commodities.

SUR
20



T



ZEBRALEARN





Just 200 KMs away from our journey, he told me, he sometimes uses VWAP.

"Aseem, if you haven't used VWAP yet, I'm pretty sure you are missing out on something", he said.



Indicators



Alert



Replay



ZEBRALEARN



To my surprise, it worked well on all of them. Now, the question on your mind can be,

"What is this VWAP indicator?"

Well, a VWAP stands for Volume Weighted Average Price. This indicator helps traders to identify the average price of the asset traded throughout the day based on both the price and the trading volume.

VWAP

Volume

Weighted

Average

Price

The VWAP indicator takes into account the trading volume at each price level to calculate the average price of the security for a given period of time, typically a day or a session.

Traders use VWAP to determine the fair value of the traded asset.



During the trading hours, something took my attention. I noticed a pattern - no matter what the trend the price was pivoting back to its mean. I.e. near the VWAP. I started observing the chart with more attention, and I marked those levels. However, it was a gruelling task to mark support and resistance daily. Also, the pivot points kept changing.



VWAP

Inputs Style Visibility

- ☒ VWAP ~
- ☒ Upper band #1 ~
- ☒ Lower band #1 ~
- ☐ Upper band #2 ~
- ☐ Lower band #2 ~
- ☐ Upper band #3 ~
- ☐ Lower band #3 ~
- ☒ Bands Fill #1
- ☐ Bands Fill #2
- ☐ Bands Fill #3

OUTPUTS

Precision Default

- ☒ Labels on price scale
- ☒ Values in status line

Defaults

Cancel Ok

All thanks to the new settings of VWAP in charting software that VWAP by default, comes with the upper and lower range of standard deviation.

THE STRATEGY

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

CIPLA LTD · 5 · NSE O 878.25 H 879.00 L 876.00 C 878.90 +0.70

877.25 0.00 877.25
VWAP Session hlc3 0 1 2 3 874.55 876.90 872.15

With this strategy, the idea is to get small but frequent intraday trades. Using 2 standard deviations with VWAP, traders get the price range where it can travel maximum. The upper and lower range of standard deviation acts as a pivot point for the price.

The price has a tendency to pivot back to its mean after going into the overbought and oversold areas. The upper band of the VWAP indicates the overbought zone and the lower band of the VWAP indicates the oversold zone.

TradingView

13:00

14:00

22

11:00

12

0 (+0.08%)





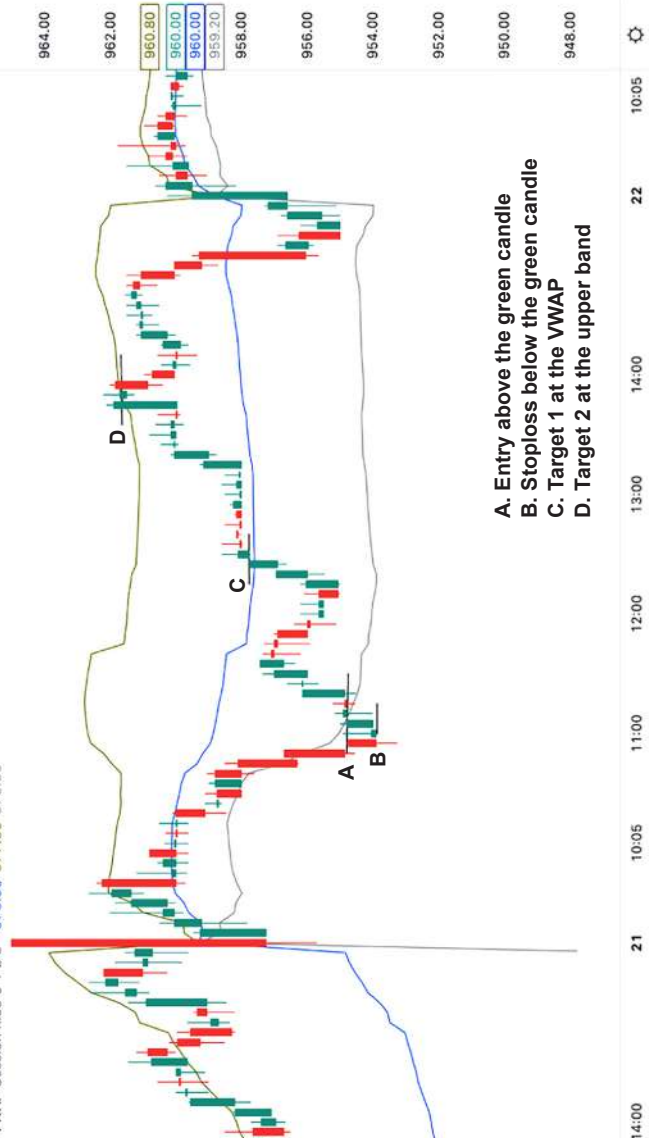
The execution of this strategy involves observing closely the price movement when the price is near either of the bands. A standard deviation of 2 gives you a range in which the price can travel.

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

SUN PHARMACEUTICAL · 5 · NSE O 973.45 H 976.30 L 971.55 C 973.00 -0.45 (-0.05%)

972.85 0.00 972.85

VWAP Session hlc3 0 1 2 3 973.90 977.30 970.50



- A. Entry above the green candle
- B. Stoploss below the green candle
- C. Target 1 at the VWAP
- D. Target 2 at the upper band

TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart on a 5-minute timeframe.

Apply **VWAP**, keep only upper and lower band #2 enabled, and the rest disabled.

Wait for a bearish candle to close below the lower band.

When a bearish candle is closed below the lower band, it indicates that it has entered the oversold zone.

The next move of the price is to pivot with a bullish candle.

The formation of a bullish candle indicates a reversal.

The **BUY** entry is triggered when another candle breaks the high of the previous green candle.

STOPLOSS may be below the green candle.

TARGET 1 is at the VWAP and **TARGET 2** is at the upper band.

The preferred minimum Risk to Reward ratio is 1:2.

In the above illustration, on 21st March 2023, Sun Pharmaceutical opened with a big 5-minute red candle. The market was already in an uptrend, a small correction led the price to fall below the lower band and enter into the oversold zone. The next candle was a Bullish Inverted Hammer candle, which means the market might fall further but, the confirmation of the breaking of its high indicates the market is ready to pivot. The buy entry was triggered at the high of the green candle and the stoploss was below the low of the green candle. Notice that just after hitting the upper band, the price pivoted back. Also, once we have taken a trade at this setup, we are not going to overtrade in the same security as there is a possibility of fake indications.



TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to 5-minute timeframe.

Apply VWAP, keep only upper and lower band #2 enabled, and the rest disabled.

Wait for a bullish candle to close above the upper band. When a bullish candle is closed above the upper band, it indicates that it has entered the overbought zone.

The next move of the price is to pivot with a bearish candle. The formation of a bearish candle indicates a reversal.

The **SELL** entry is triggered when another candle breaks the low of the previous red candle.

STOPLOSS may be kept above the red candle.

TARGET 1 is at the VWAP and **TARGET 2** is at the lower band.

The preferred minimum Risk to Reward ratio is 1:2.

In the above illustration, Hindustan Unilever opened with an indecisive red candle with huge wicks on either side. After that, it started moving upward and after testing the upper band again and again, it finally closed above. This move was an alert for a short trade. A red candle after that formed and made clear that the price was going to pivot from the overbought zone. After two indecisive red candles, a proper red candle closed below the previous red candle which triggered the sell entry; the price continued to fall further, hit target 1 and continued to fall till it reached target 2 and closed below it.





Indicators



Alert



Replay



2.4

BUY/SELL WITH RSI AND VOLUME OSCILLATOR



Strategy video

An intraday trader with no trading plan has a high probability of eroding his capital.



Trader with a plan.



When a trade is taken completely out of discretion, emotions are involved. A trading plan can be made either using indicators or purely price action.

When it is purely based on price action, there are no statistics and data involved.

Whereas, when an indicator is used calculations provide a value which is then called a Buy or Sell signal.



Indicator



In my trading journey, I have always used price action for trading, but, the accuracy I have got with indicators is unmatched. It has been years of using indicators and I have seen many market cycles. While I'm not a proponent of technical indicators, the truth can't be denied.



From a plethora of indicators, I have picked a combination of RSI and Volume Oscillator to create an intraday trading strategy.

✓ The use of the conventional approach of RSI and Volume Oscillator has worked wonder in the intraday segment.

✓ To make it simple, I would say RSI helps a trader in identifying overbought and oversold conditions with levels of 70 and 30 respectively. The Volume Oscillator helps a trader identify trends using a two-moving average system.

✓ A fast and a slow line of moving averages. I.e. when the fast moving average crosses the slow moving average from below, the Volume Oscillator turns positive and rises.

✓ Whereas, when the fast moving average crosses the slow moving average from above, the Volume Oscillator turns negative and falls.



I still remember one month prior to the Janta curfew (22nd March, 2020) announced by our respected Prime Minister, Mr. Narendra Modi. The market was moving upward but with less magnitude. The market was making higher lows but it seemed like the momentum was lost. To identify this, I used the Volume Oscillator and RSI daily. I journaled the synchronised movement of RSI and the Volume Oscillator and drew a conclusion, which is now one of my strategies mentioned in this book. I noticed that the Volume Oscillator oscillates between the range of -30% to 30% and the RSI oscillates between a range of 70-30.



THE STRATEGY

The logic behind this strategy is to look for crucial pivot points on an intraday basis. During the trading session, the market makes its own pivot points where scalpers play with huge volumes.

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

KOTAK MAHINDRA BAN · 5 · NSE O 1708.50 H 1709.00 L 1707.85 C 1708.95 +0.55 (+0.03%)

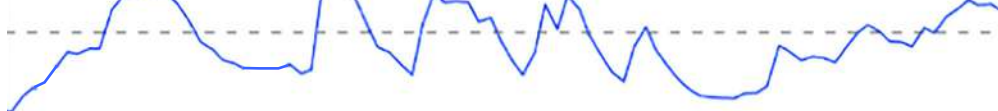
1708.45 0.50 1708.95



RSI 14 close SMA 14 2 56.60



Volume Osc 5 10 -13.82%

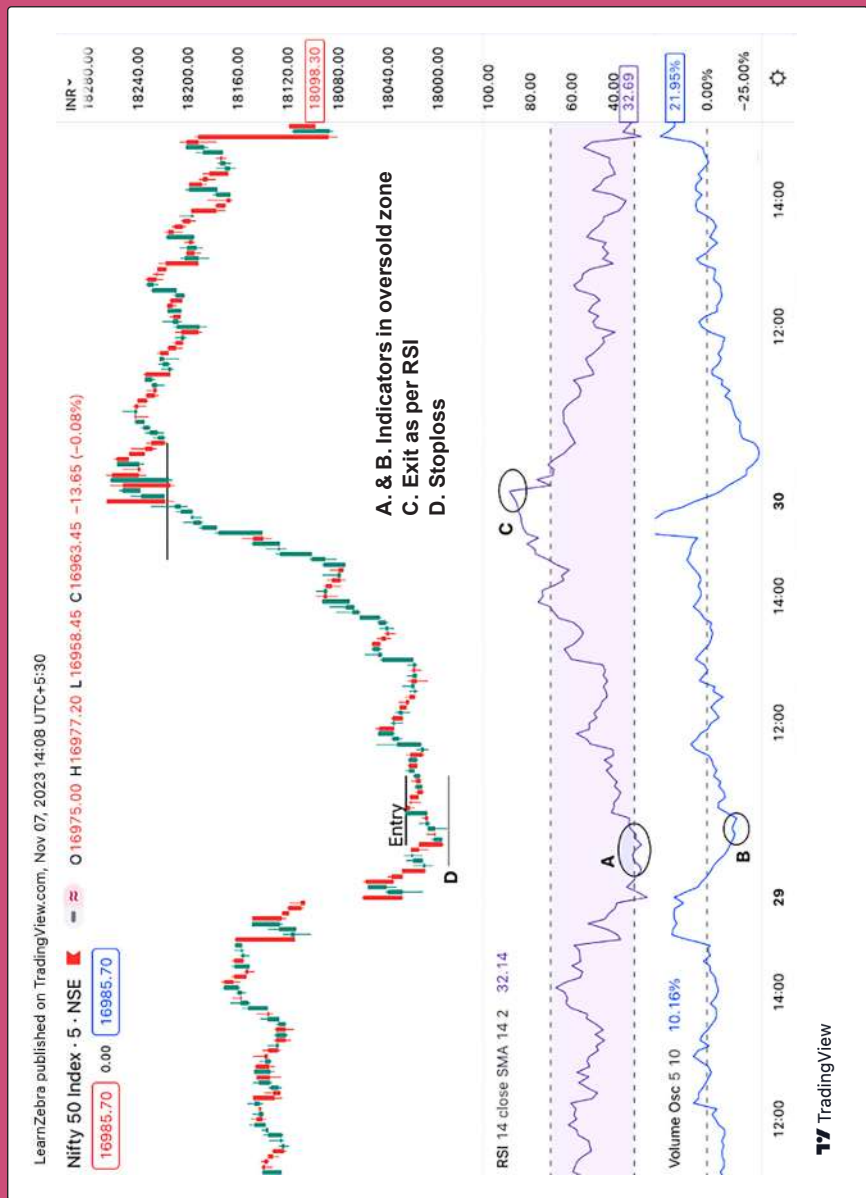


10 10:30 12:00 14:00

Thus, with the help of the Volume Oscillator and the RSI you can figure out from where the volumes are dried up or if they have increased significantly. To make an informed decision, you should keep an eye on the movement of both the indicators. Further, they must move in tandem from their extreme zones.



> THE EXECUTION





— TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to 5-minute timeframe.

Apply RSI and Volume Oscillator.

For a buy trade, the price should be in an uptrend.

With this strategy, you will get the chance to buy the DIP.

At the dip, watch out for RSI and Volume Oscillator to be in tandem.

The **BUY** entry is triggered when the Volume Oscillator is near to -30% level and the RSI is at the 30 level (the oversold zone).

Make sure both of the indicators are in their oversold area.

The **STOPLOSS** is placed at the swing low.

The **TARGET** is based on the premise that once the RSI reaches the overbought area, the target is met.

With this strategy, the conservative Risk to Reward ratio is 1:2.

In the above illustration, on 29th December 2022, the market opened gap down. While the market was in an uptrend, a sudden gap down pushed the price to the oversold zone. After the first hour of the trading session, the market started gaining strength. That is RSI was near the 30 levels and the Volume Oscillator was at the bottom. After a bullish candle broke the resistance, the market started to rally and went up to the level of 18,240. That was where the profit booking is triggered based on the RSI.





TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to 5-minute timeframe.

Apply RSI and Volume Oscillator.

For a sell trade, the price should be in a downtrend. With this strategy, you will get the chance to sell at a pullback.

At the pullback, watch out for the RSI and the Volume Oscillator to be in tandem.

The **SELL** entry is triggered when the Volume Oscillator is near to 30% level and the RSI is at the 70 level (the overbought zone).

Make sure both the indicators are in their overbought area.

The **STOPLOSS** is placed at the swing high.

The **TARGET** is based on the premise that once the RSI reaches the oversold area, the target is met.

With this strategy, the conservative Risk to Reward ratio is 1:2.

In the above illustration, on 1st Feb 2023, the market opened a slight gap up and went into consolidation till the second phase of the market. Post that the price quickly rose to the 17,980 level and formed a swing high. At the pivot point, you can see that the RSI was in the overbought zone and the Volume Oscillator was near the 30% area. I.e a bearish reversal trade triggered. We enter the trade when the low of the support candle is broken, the stoploss is at the swing high and the target hits once the RSI enters into the oversold area.





Indicators



Alert



Replay



2.5

WAIT AND TRADE THE PULLBACK



Strategy video

**WHAT IF I TELL YOU,
A PARABOLIC MOVE IS ALL THE
MARKET NEEDS TO ERODE YOUR
CAPITAL?
YOU WOULD FEAR THIS, RIGHT?**

But this is what technical analysts have been observing from the inception of the markets.

The whole money is not deployed in one go, instead, a small pool of funds is deployed frequently at every price level which reduces the average buying cost.



Institutional
Buyer

When institutions put money into the market, they prefer deploying funds when the asset is undervalued.

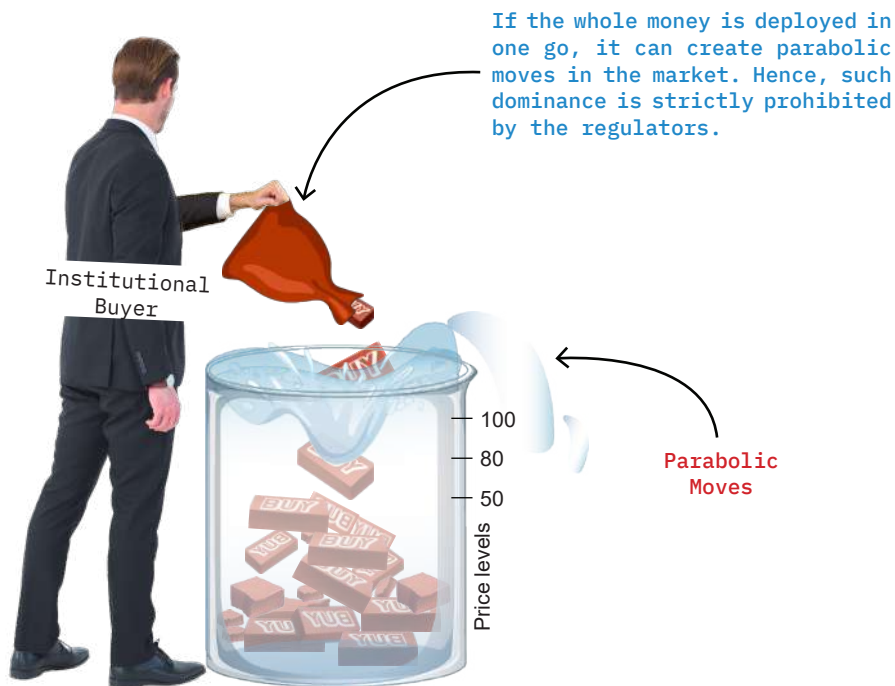


Price levels

100

80

50



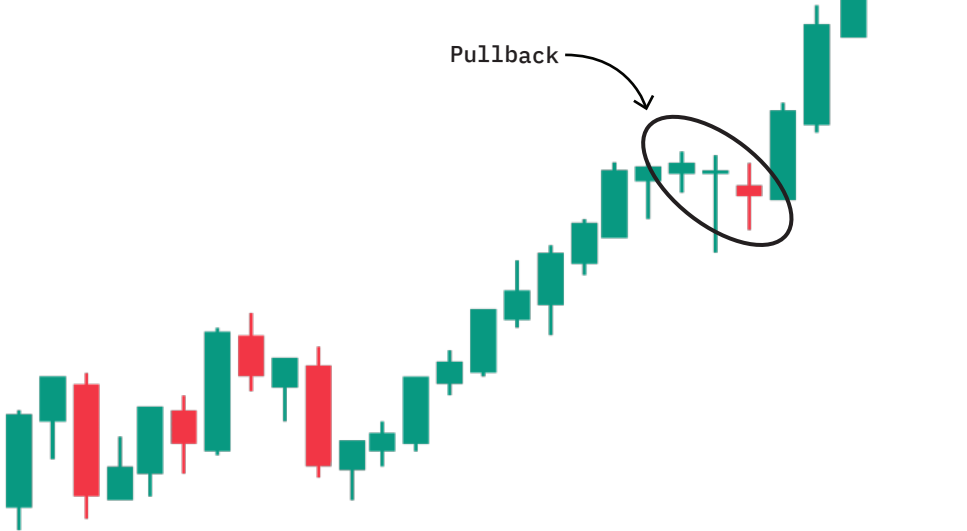
Even when you trade based on price action, you think of buying when the price breaks the high of a candle near a crucial area and placing a stoploss at the low of the candle. However, an impulsive candle nearly covers a huge part of the primary move, and we are more prone to have a poor Risk to Reward ratio. A profitable trader is known for his asymmetric bets which give him most of the profits risking peanuts. On the other side, a trader with a poor Risk to Reward ratio eventually quits the market cursing different factors like price going against him, volatility, luck, etc. but impatience while trading.

**IS THERE ANY
'RAM BAAN IJLAAJ'
FOR THIS? WELL, NO, BUT YES!**



The answer is the concept of confirmation and pullbacks. Now, what is this? You might ask. Pullbacks are small retracements or small moves against the trend that are not more than 4-5% of the whole trend.

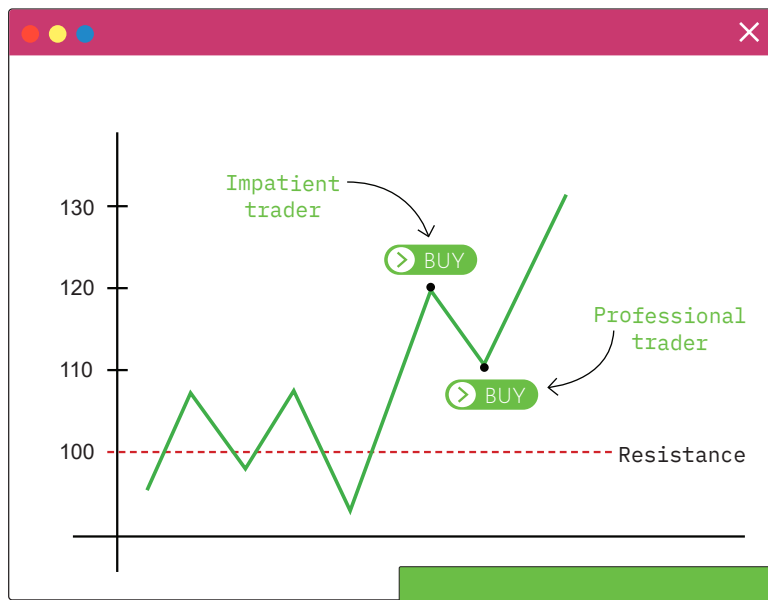
Suppose, a stock moved 15% in a week, so its pullback on the downside will be only 4-5%. If the stock falls further, it is not considered a pullback but a reversal. Why does a pullback happen?



The main reason for a pullback in a sustained trend is profit-booking on smaller timeframes or some negative news. Be it intraday trades or positional, the concept of pullbacks remains the same at every time interval. An intraday trader will look for pullbacks on a 5-minute timeframe, and a positional trader will look for a pullback on a weekly timeframe.



Why does a trade taken at pullbacks often consider as safe? The reason is buyers support the price level by continue buying at the pullback level.



Let's take an example if a stock has a resistance at 100Rs and it breaks out at this level with a move. Now an impatient trader would enter at the top thinking it will continue to rise, but a professional trader understands there are scalpers on smaller timeframes in the trade who might exit at the top which will push the price a bit down.

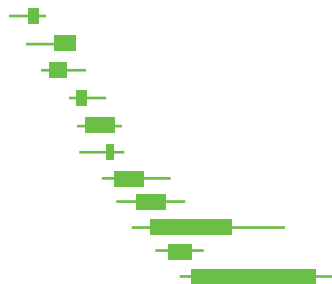
Now, the buyers who missed the trade will enter when they see the price coming to a reasonable level, and thus, the move will be supported by more buyer interest.

After years of experience in the markets, I have understood that no matter what strategy you use, without confirmation of a legitimate breakout of a level, you are more prone to risks. This is why in this chapter, I am going to discuss **a beautiful pullback intraday trading strategy using pivot points**. The purpose of using pivot points in this strategy is to have marked all the crucial levels beforehand. **Since pivot points are static and they do not change with different timeframes, traders can get an idea of where the price will react more than usual.**

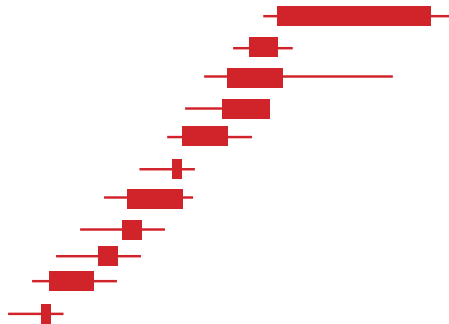
THE STRATEGY

The strategy is to have asymmetric bets. That is taking trades at a pullback with small stoplosses. A pullback does not necessarily means the trade is going to be successful. Always remember, the market is supreme, and no one can argue this.

When a trade is taken at a pullback, it ensures that traders are either **buying at low or selling at high**, which increases his Risk to Reward ratio.



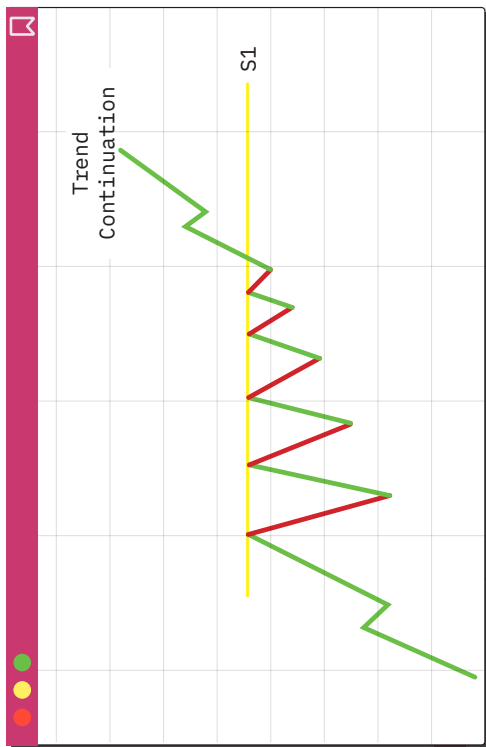
Swipe to BUY



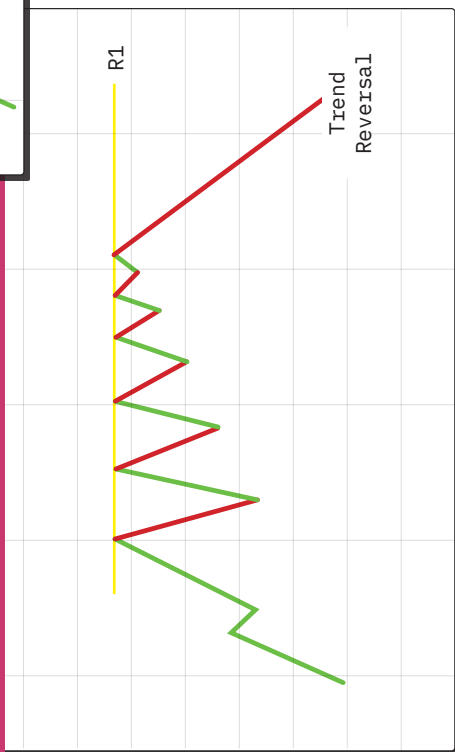
Swipe to SELL



Before I move on with the strategy, let me tell you, according to my strategy, I am not considering only continuation pullbacks but reversal pullbacks also. Why? Simply because we are considering pivot points as crucial support and resistance.



Now, for the price to go beyond that level, it needs to test that area again for fresh selling or buying. This is only possible when the price takes small pullbacks. When price hovers around the pivot points, it can either continue with the prior trend's direction or take a reversal from the pivot point.





— TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to 5-minute timeframe.

Apply pivot points standard to default settings.

Wait for the price to hover around a pivot point.

Look for a pullback #1- if the pullback is occurring without breaking the pivot point, it is a reversal trade.

Look for a pullback #2- if the pullback is occurring after breaking the pivot point, it is a trend continuation trade.

BUY entry will be triggered when a bullish candle is formed after the pullback.

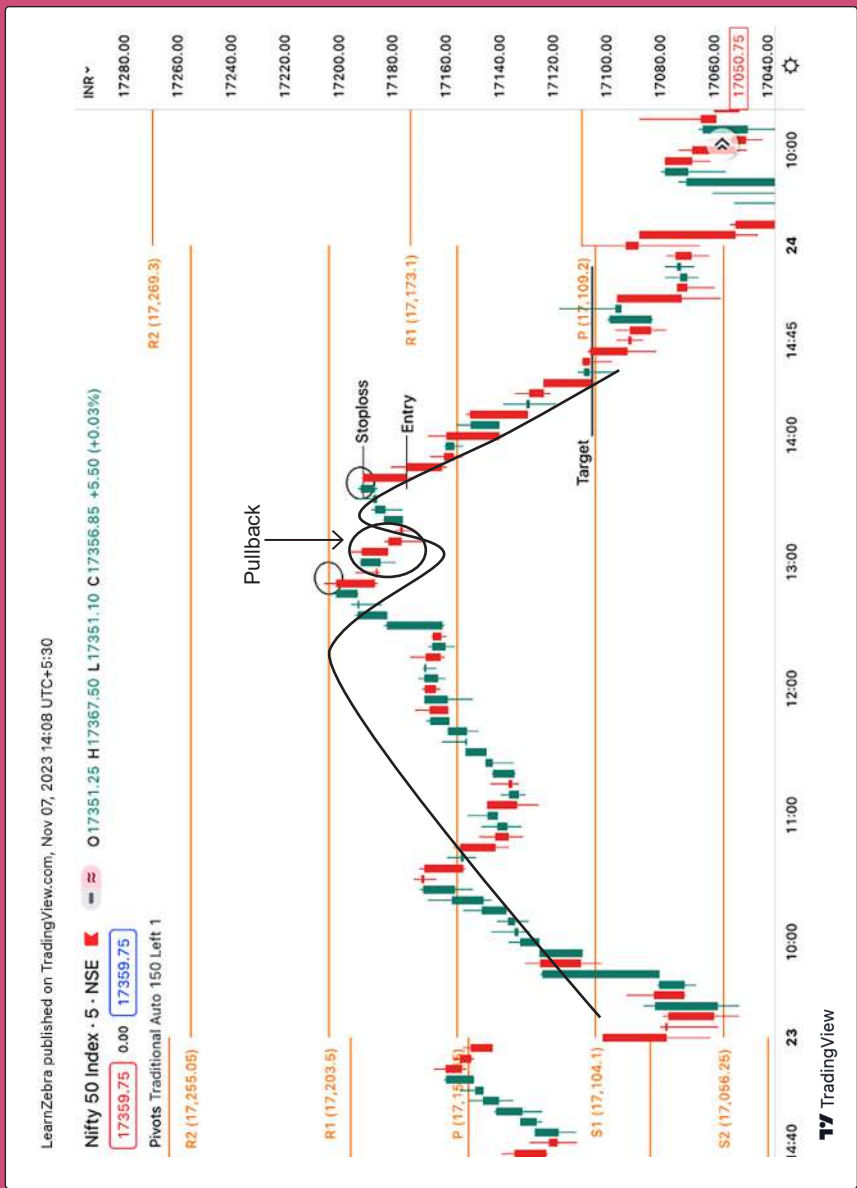
STOPLOSS is placed at the low of the candle.

TARGET is placed at the next pivot point, but, if the pivot point is near the entry candle, the target is set to the very next pivot point.

The above illustration explains the market opened gap-up on 31st March 2023, the last day of financial year 22-23. The market was bearish for the past few weeks, and short covering was due. On the last day of FY, we saw short covering in Nifty 50 when the market broke the R2 and took a pullback at R2. Now, when the market took a pullback without breaking the support, a continuation trade was confirmed from the price action itself. With this strategy, we got a profit of almost 1:4.



TO SELL



TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to the 5-minute timeframe.

Apply pivot points standard to default settings.

Wait for the price to hover around a pivot point.

Look for a pullback #1- if the pullback is occurring without breaking the pivot point, it is a reversal trade.

Look for a pullback #2- if the pullback is occurring after breaking the pivot point, it is a trend continuation trade.

SELL entry will triggered when a bearish candle is formed after the pullback.

STOPLOSS is placed at the high of the candle.

TARGET is placed at the next pivot point, but, if the pivot point is near the entry candle, target would be set at the very next pivot point.

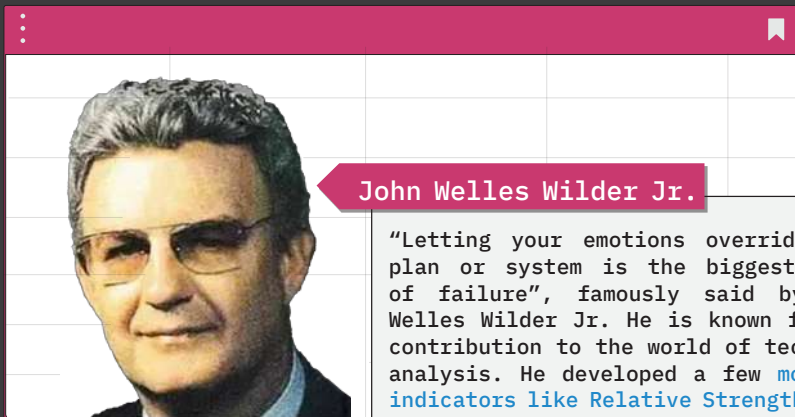
In the above illustration, we can observe that the market opened a gap-down on 23rd March 2023. Looking at the structure, it was clear that the market was turning weak as it was making higher highs on the previous trading sessions but with less momentum. Post that, a gap down opening indicated profit booking in Nifty 50. Still, with hope price continued to move till the R1 level but fell, and took a pullback at R1 again, which made clear with a reversal trade in the later hours of the market. With this strategy, we got a reversal trade which hit our target and ended up with profits.

2.6

DOUBLE RSI



Strategy video

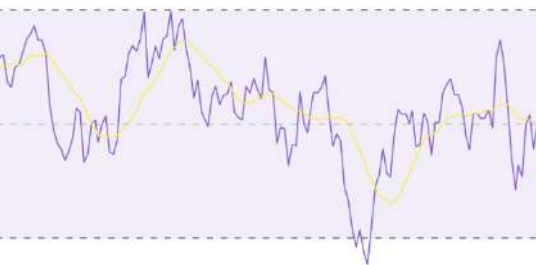
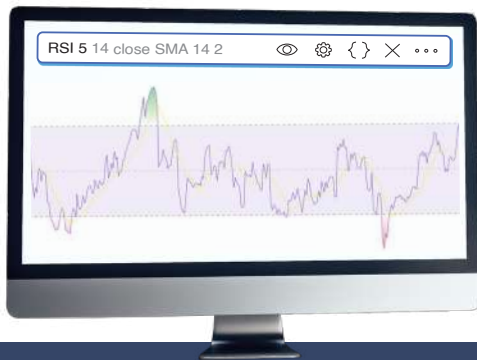


He developed RSI to gauge market momentum and identify overbought and oversold areas. RSI is a momentum oscillator that oscillates between the range of 0 to 100. RSI ranging below 30 is considered to be an oversold zone - the downtrend has exhausted and the price can either consolidate or pivot from the bottom. RSI ranging above 70 is considered to be an overbought zone - the uptrend has exhausted and the price can either consolidate or pivot from the top.



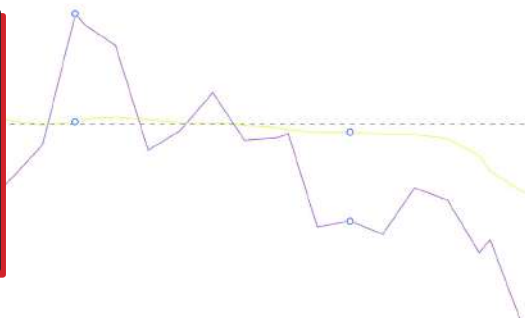
RSI helps traders to find overbought and oversold zones during a selected timeframe.

The levels of RSI can differ when the timeframe is switched. *Usually, it is believed that the RSI does not generate false signals. However, no one can surely claim on the success rate of the RSI.* While traders believe in having multiple confluences, in my trading journey, I have observed that the confluence of two RSI generates better results than any other technical analysis indicator with the RSI.



The use of double RSI is not new, it has been there for decades, and the execution may differ from trader to trader. You might use double RSI with a shorter and longer look back period, which can affect the sensitivity of the RSI. You can also have a bigger timeframe RSI with the timeframe I am trading in. Over the years, I have developed a trading strategy using Double RSI that gives concrete confluence for intraday trade.

As an intraday trader, having a couple of setups in hand helps me gain confidence over unprecedented market conditions. With different strategies to deploy in different situations, I can easily find good trading opportunities. As an intraday trader, I have my own setups to trade in the market at lower timeframes like 3 minutes and 5 minutes.



The double RSI method involves two RSI, one with its default settings, and one with an hourly timeframe on a 5-minute chart.

Chart

15 seconds

30 seconds

1 minute

5 minutes

30 minutes

45 minutes

1 hour

2 hours

3 hours

HOW TO APPLY DOUBLE RSI?

✓ Load any chart you wish to trade.

✓ Select the 5-minute timeframe.

✓ Go to Indicators > Relative Strength Index > select it, and keep the default settings.

✓ For the second RSI, go to Indicators > Relative Strength Index > select it.

✓ Change its settings: click on its settings icon > inputs > Timeframe = 1 hour.

RSI

Inputs Style Visibility

- ✓ RSI
- ✓ RSI-Based MA
- ✓ Upper Bollinger Band
- ✓ Lower Bollinger Band
- ✓ RSI Upper Band 50
- ✓ RSI Middle Band 50
- ✓ RSI Lower Band 50
- ✓ RSI Background Fill
- ✓ Bollinger Bands Background Fill Color 0

OUTPUTS

Precision Default

✓ Labels on price scale

Defaults

Cancel

Ok

PURPOSE OF DOUBLE RSI

The single RSI with its default settings gives a buy signal when it is below the 30 level. It gives a sell signal when it is above the 70 level. However, I have noticed that a trade taken on a single RSI indication has always failed to gain traction and the strength of the trend is lost after moving a few points. When the trade is taken with another RSI that uses an hourly timeframe for its calculation, it has given me trades with strong momentum.

➤ BUY

30 level

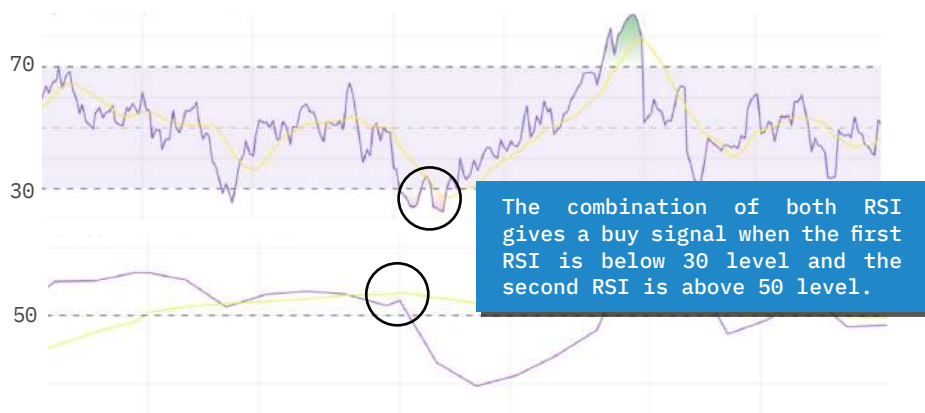
➤ SELL

70 level

The purpose of using another RSI with 1-hour timeframe is that it filters out noise and provides signals once in 2-3 days. When the noise is filtered out, you have the assurance of not getting wiped out by the whipsaws. The RSI with hourly chart timeframe gives buy signal when it is above the 50 level and gives sell signal when it is below the 50 level.

THE STRATEGY

This is an intraday strategy that is used on a 5-minute timeframe. The use of double RSI gives multiple confluences of a 5-minute timeframe and an hourly timeframe.



The sell signal is generated when the first RSI is above the 70 level and the second RSI is below the 50 level. The take profit point is at the pivot of the first RSI. For example, both indicators have given a buy signal, the trade opens with a good profit. Now, when the first RSI goes into the overbought zone and pivots from there, exit from the trade. Similarly, when the sell signal is triggered, the exit will be at the pivot point of first RSI from the oversold zone.



THE EXECUTION





— TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any stock/index chart.

Set the chart to a 5-minute timeframe.

Apply RSI with its default settings.

Apply the second RSI with an hourly chart timeframe.

Look for the second RSI to be above the 50 level.

Meanwhile, look for the first RSI to enter the oversold zone and for the price to form a bullish candle.

BUY at the high of the green candle.

STOPLOSS is below the low of the green candle.

TARGET is booked when the first RSI crosses the 70 level from above after entering the overbought zone.

On 11th April 2023, Nifty 50 index opened gap up and formed its day high. After pivoting from its day high, the day low was breached but a hammer candle was visible near the day's low indicating that there can be a demand zone. Exactly at 12:25 p.m., the first RSI reached near to the oversold zone and pivoted. The second RSI was above the 50 level. With multiple confluences holding true, the buy entry got triggered and we entered the trade with the stoploss at the low of the Hammer candle. The booked profit was almost 4x of the stoploss (1:4 Risk to Reward ratio).



TO SELL

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

Nifty 50 Index · 5 · NSE O 17601.25 H 17605.70 L 17600.00 C 17605.70 44.80 (+0.03%)

17605.60 0.00 17605.60

Stoploss

Entry

Target

RSI near 70 and coming down

Hourly RSI below 50

RSI 14 close SMA 14 2 47.40

RSI 60 14 close SMA 14 2 43.32

TradingView



TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any stock/index chart.

Set the chart to a 5-minute timeframe.

Apply RSI with its default settings.

Apply the second RSI with an hourly chart timeframe.

Look for the second RSI to be below the 50 level.

Meanwhile, look for the first RSI to enter the overbought zone and the price to form a bearish candle.

SELL at the low of the red candle.

STOPLOSS is above the high of the red candle.

TARGET is booked when the first RSI crosses the 30 level from below after entering into the oversold zone.

On 20th April 2023, the Nifty 50 opened gap up, went downward and formed a red candle with huge lower wick. This showed market strength. However, the upside move failed to sustain and the price fell abruptly. You can notice that the first RSI touched the overbought area and took a pivot along with the second RSI staying below the 50 level. The sell entry triggered at 9:40 a.m. with the stoploss at the high of the red candle. With this strategy, we booked profits at 1:10 p.m. with a Risk to Reward ratio of 1:5.



2.7

CPR WITH TREND FOLLOWING



Strategy video

Before we move forward to the CPR trend following strategy, it is important to talk about the price momentum.

Price momentum in the stock market refers to the phenomenon where stocks have been performing well and continues the same trend. When the momentum hits a stock, it is either backed by strong fundamentals or a bulk buying or selling in the stock. As a trader, we have to find such areas from where the momentum is expected.



As you can see in the above example, the market was bullish on 27th April 2023. On the next day, it opened gap up and could not sustain on the downside. Looking closely at the chart, you can find the small demand zone from where the price pivoted. It is not possible for a newbie trader to look for details and that is why the pivot points are created. Pivot points are crucial levels where the probability of price reversal is high. Pivot points are denoted as P- Pivot point, R1, R2- Resistance, and S1, S2- Support.





CALCULATION OF PIVOT POINTS

For calculating the Pivot points, we have to consider the High, Low, and Close value of the respective trading sessions.

$$\text{Pivot Point (P)} = \frac{(\text{High} + \text{Low} + \text{Close})}{3}$$

$$R1 = (P \times 2) - 2$$

$$R2 = P + (\text{high} - \text{low})$$

$$S1 = (P \times 2) - \text{High}$$

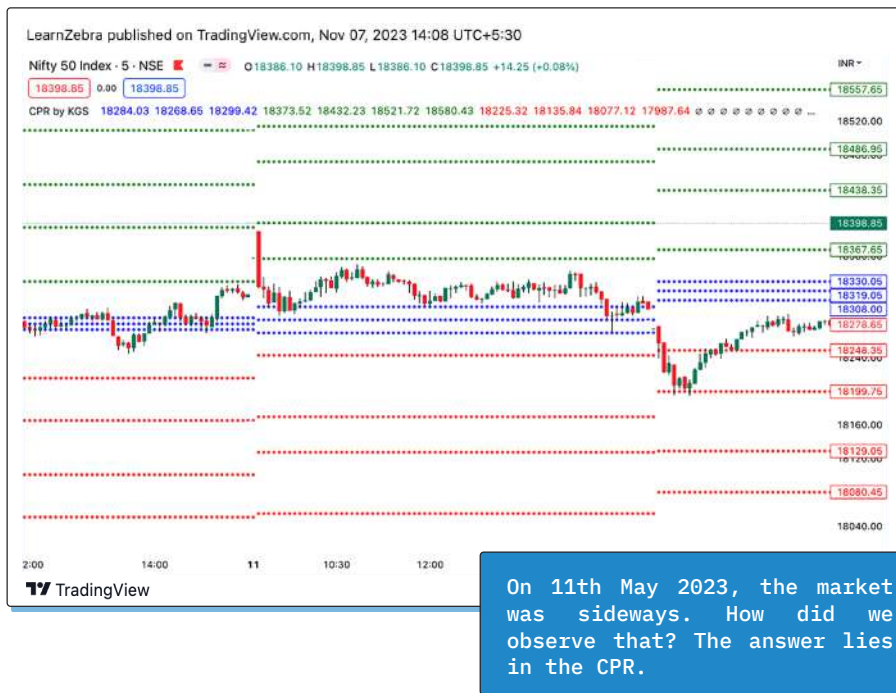
$$S2 = P - (\text{High} - \text{Low})$$



In my opinion, the Pivot fails to tell the market view. For a trader, it is equally important to understand and have a cue of the trend. Pivot points basically help in giving the crucial levels but fails to tell the market view and momentum.

CENTRAL PIVOT RANGE

The Central Pivot Range is an extension of the Pivot Points. We have already discussed the importance of pivot points in trading. Now let us look at some observations by seasoned traders on the Central Pivot Range.



Support

Pivot Points

Resistance

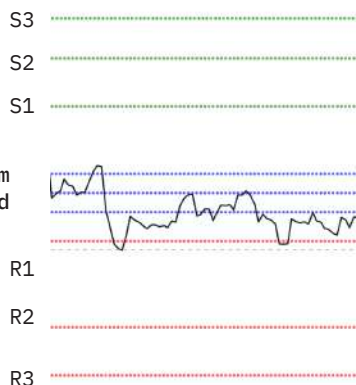
The CPR is formed with 3 major lines. I.e. top central pivot, central pivot, and bottom central pivot. The support and resistance stay the same as the pivot point standards. According to observations, it is believed that when the CPR is narrow (as shown in the above picture), the market has a higher probability of trending. On the other hand, if the CPR is wide, there is a probability of the market staying range bound.

The use of CPR in intraday trading is important for traders to gauge the momentum. However, CPR does not help in indicating whether the market will be bullish or bearish.

Intraday traders buy and sell at troughs and peaks within a range. Pivot points when used with CPR help traders with a defined range to trade the market. Levels marked by CPR can act either way - the price can reverse from there or continue after breaking the level.



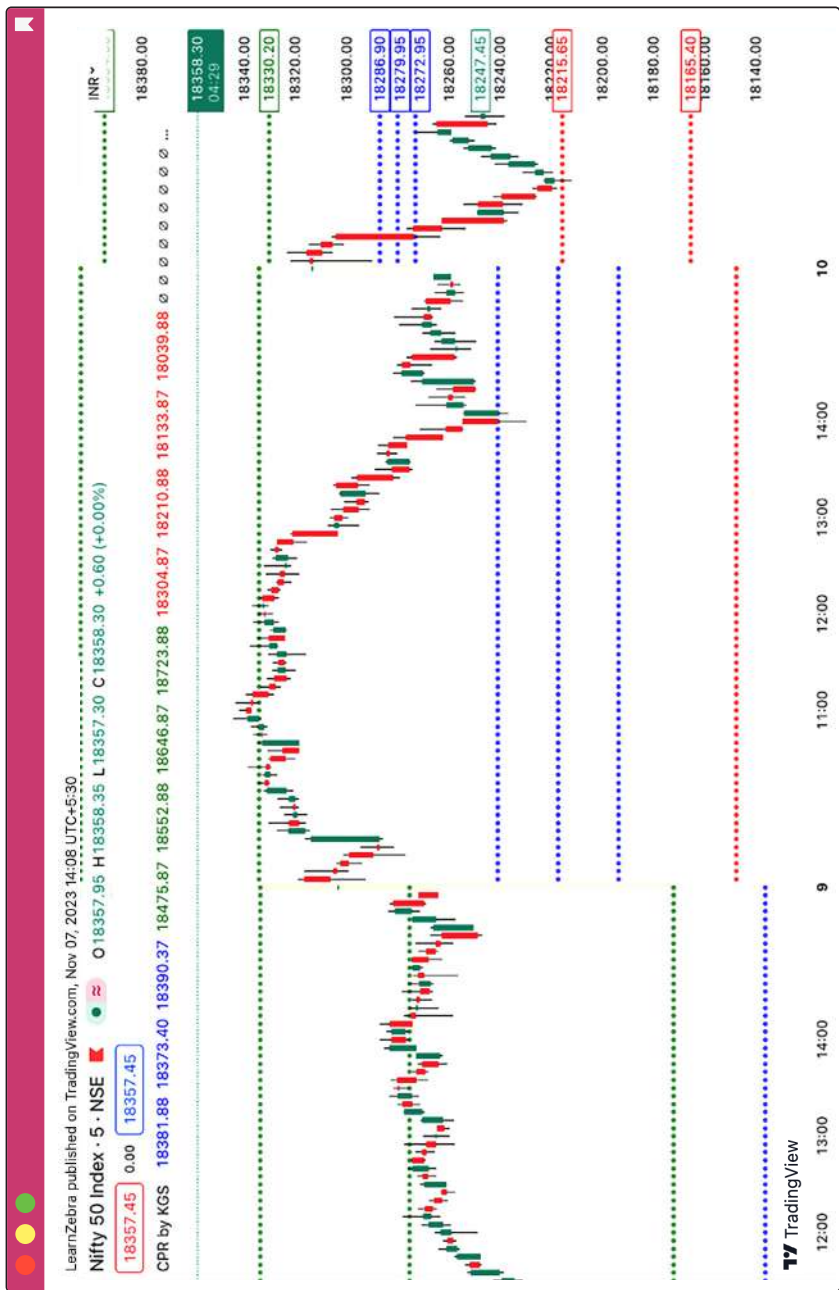
Price pivots from these support and resistance



After years of observation, traders have found that when the **CPR is narrow**, there is a high chance for the price to continue in the respective direction.

On the other hand when the **CPR is wide**, the support and resistance levels act strong and the price pivots after touching them.

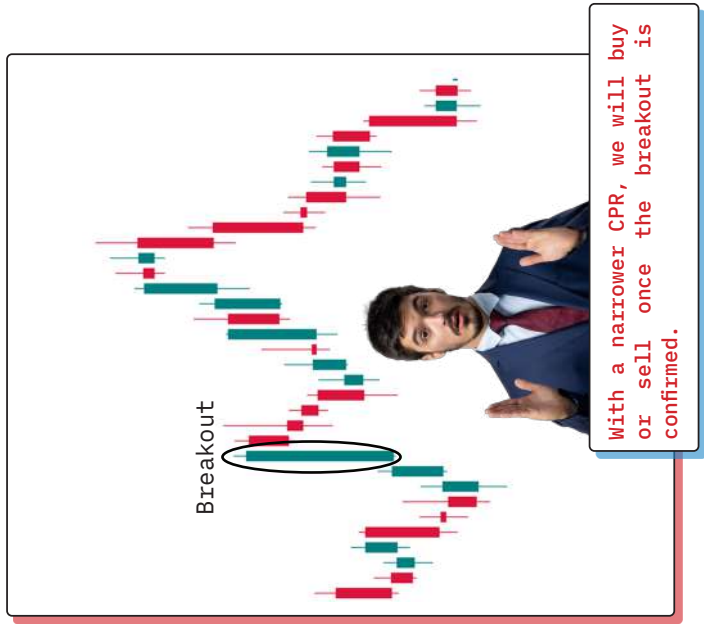
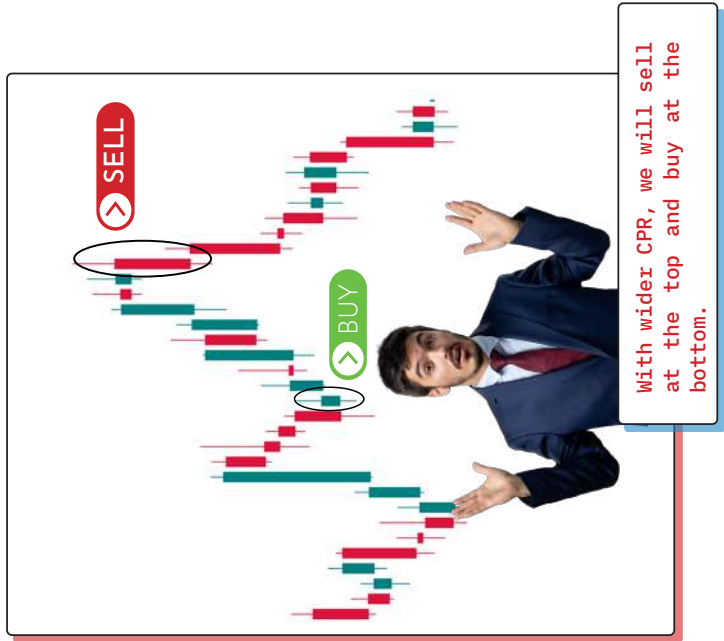




On 9th May 2023, the CPR was wide, indicating a range-bound market. The area between the resistance level and the CPR level is the range for the price. When the market opened gap up and tried to move beyond the resistance 1 level, the resistance acted strong and pushed the price below it. The top central pivot acted like a support and the price pivoted from the level.

THE STRATEGY

The idea behind this strategy is to look for crucial levels for intraday trading. With the help of CPR, we will alter our strategy if needed. The strategy for a wider CPR will be different from a narrow CPR.





IF THE CPR IS WIDE, BUY USING THIS STRATEGY:

Open any chart.

Set the chart on a 5-minute timeframe.

Apply CPR (Central Pivot Range).

BUY when the price takes support at a level.

Put the **Stoploss** below the buying candle.

Trail the stoploss or book profit at the next pivot point.

The ideal Risk to Reward ratio is 1:2.

On 25th April 2023, the market opened gap up and made a big bearish candle. Now, in such a situation, without using CPR, we could not have got the idea of the range-bound market and would have shorted the market but, with CPR, we knew that such a big fall after gap down was likely to end up nowhere and the market was range bound. The second 5-minute candle was a Hammer candle indicating that the market would turn upward. According to the strategy, when the CPR is wide, we buy and sell at the top or next pivot level.



IF THE CPR IS NARROW, BUY USING THIS STRATEGY:

Open any chart.

Set the chart on a 5-minute timeframe.

Apply CPR (Central Pivot Range).

BUY when the price breaks any level from below support, CPR, or resistance.

Put the **STOPLOSS** below the buying candle.

Book the **TARGET** at the next pivot point or trail it until the market reverses.

The ideal Risk to Reward ratio is 1:2.

On 4th May 2023, the CPR was narrow and the market opened near its previous day's closing level. The price took rejection from the CPR and started moving towards the first resistance. With the narrow CPR, it was clear that the market could be trending. The buy entry triggered when the price broke the first resistance level. We bought at the high of the green candle and put the stoploss below the swing low. As per the strategy, we trail the stoploss to gain the maximum Risk to Reward ratio. On the next pivot point, we exited from the trade.



IF THE CPR IS WIDE, SELL USING THIS STRATEGY:

Open any chart.

Set the chart to a 5-minute timeframe.

SELL when the price touches a resistance level.

Place **STOPLOSS** at the high of the reversal candle.

Book the profit at the first pivot point or trail it for maximum Risk to Reward ratio.

On 9th May 2023, the market opened gap up but was close to its previous day's closing. As the market moved a bit, it was evident that the CPR was wide, indicating a range-bound day. With our arsenal, we entered the trade when the market made a bearish reversal candle and shorted when the price fell below R1. The target hit at the top central pivot with a Risk to Reward ratio of 1:4.



IF THE CPR IS NARROW, SELL USING THIS STRATEGY:

Open any chart.

Set the chart to a 5-minute timeframe.

SELL when the price breaks support.

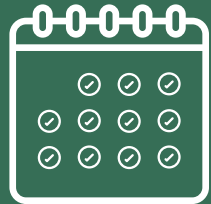
Place **STOPLOSS** at the high of the breakout candle.

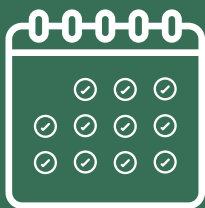
Book the profit at the first pivot point or trail it for maximum Risk to Reward ratio.

On 21st April 2023, the market opened between the first resistance and the CPR, the narrow CPR indicated a trending day. Once the CPR broke, we entered a short trade with the stoploss at the high of the candle. The target was the next pivot point. We trailed it along with the price but the trailing stoploss hit when the price pivoted back. With this strategy, we got a Risk to Reward ratio of 1:2.

CHAPTER 3

ADVANCED STRATEGIES





- 3.1 Basics of Dow theory
- 3.2 Smart Money Concept
- 3.3 Mastering Elliott Wave Theory for Profitable Trading

- 3.4 Mastering Fractal-Based Trading: A Personal Approach
- 3.5 Trading with Renko Charts
- 3.6 Donchian Channel and Pullback
- 3.7 Gann Fan





3.1

BASICS OF DOW THEORY



Strategy video

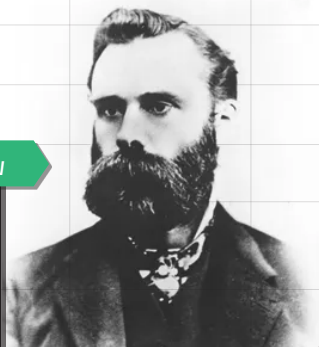
In the current day and age, technical analysts use different technical tools to identify market trends. The technical analysis is entirely subjective. Everyone can have different views on the market which cannot be questioned, because, it is a zero-sum game.



If one is buying at a level then the other would be selling. However, they would have different thought process and decision-making abilities based on their own stock market theory and belief.

Charles Dow

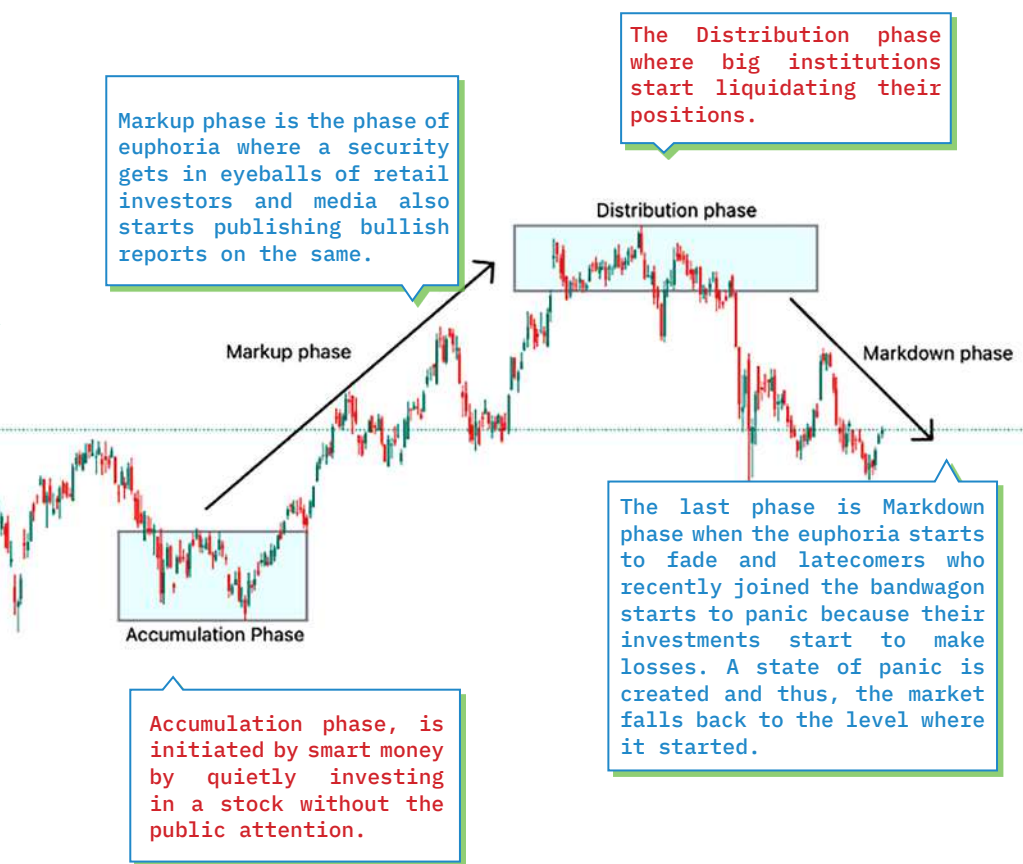
Dow theory was introduced by Charles Dow, who was the founder of Dow Jones and Company and the first editor of the Wall Street Journal. This theory is based on many editorials he published between 1900-1902. After his death, William Hamilton continued to work on his theory.





Dow theory explains that the market moves in trends. A security cannot advance or decline in a straight line, there will be shorter counter-trends in the price movement. According to Dow theory, there are 3 trends - a primary trend which can last for years, secondary trends can last for several weeks to several months, and minor trends which are nothing but daily fluctuations.

Further, an important tenet of this theory is that each trend holds 4 phases. I.e.



While talking about tenets of the Dow theory, it is equally important to talk about how to identify trends in a particular security.



After years of understanding how the market works, everything boils down to the simplicity of understanding the market structure. If you cannot decipher trends in the market, you are prone to losses.

When I started trading, I began understanding trend formations by simply looking at the peaks and troughs of the price on the chart. This strategy is not restricted to any timeframe or market segment. This strategy works in every situation.

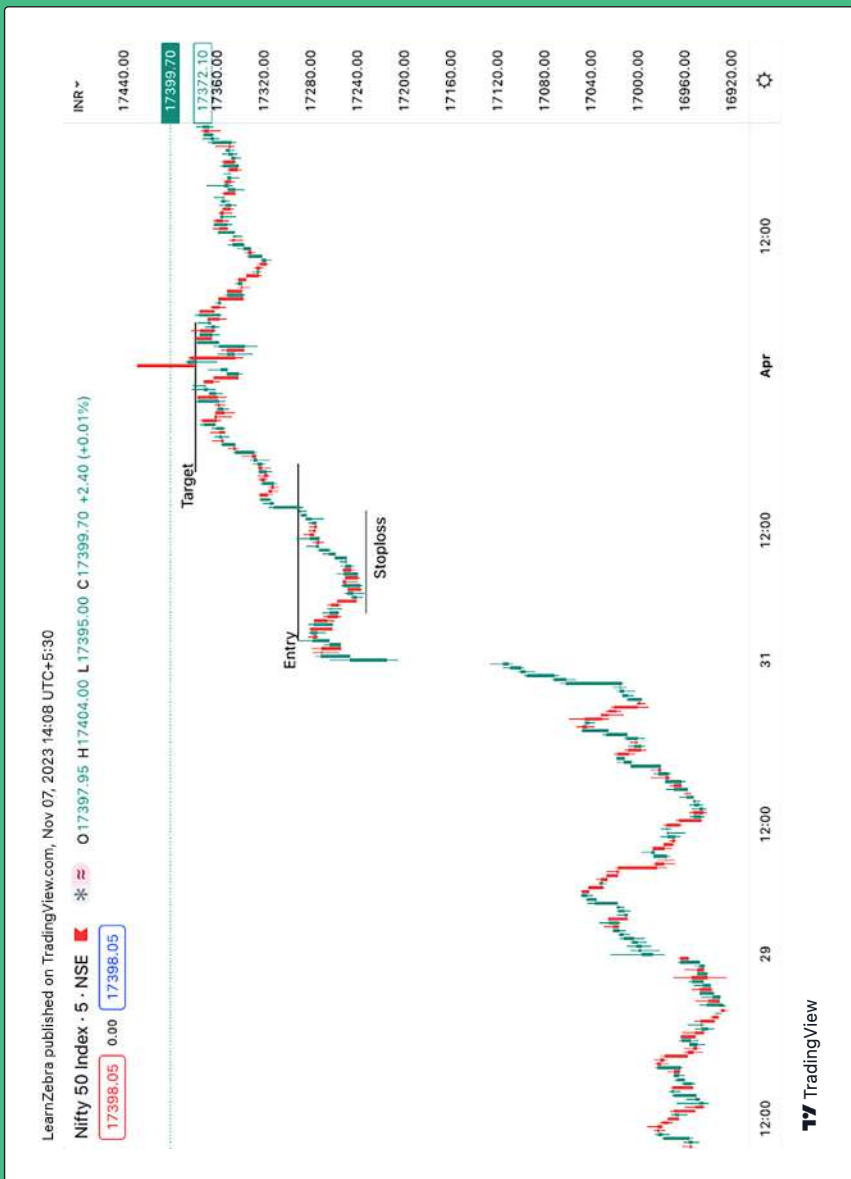


THE STRATEGY

Let us understand a trading strategy which is as simple as a nursery rhyme. The idea of this strategy is to enter trades when the market structure confirms the entry with its formation. Observe the market structure, and it will help you make an informed decision. With this strategy, we will buy when the market is in an uptrend and sell when the market is in a downtrend.



> THE EXECUTION



TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Select the stock you want to trade.

Select the timeframe according to your trading style.

Wait for the price to break the previous high.

The buy entry is triggered when the previous high is broken.

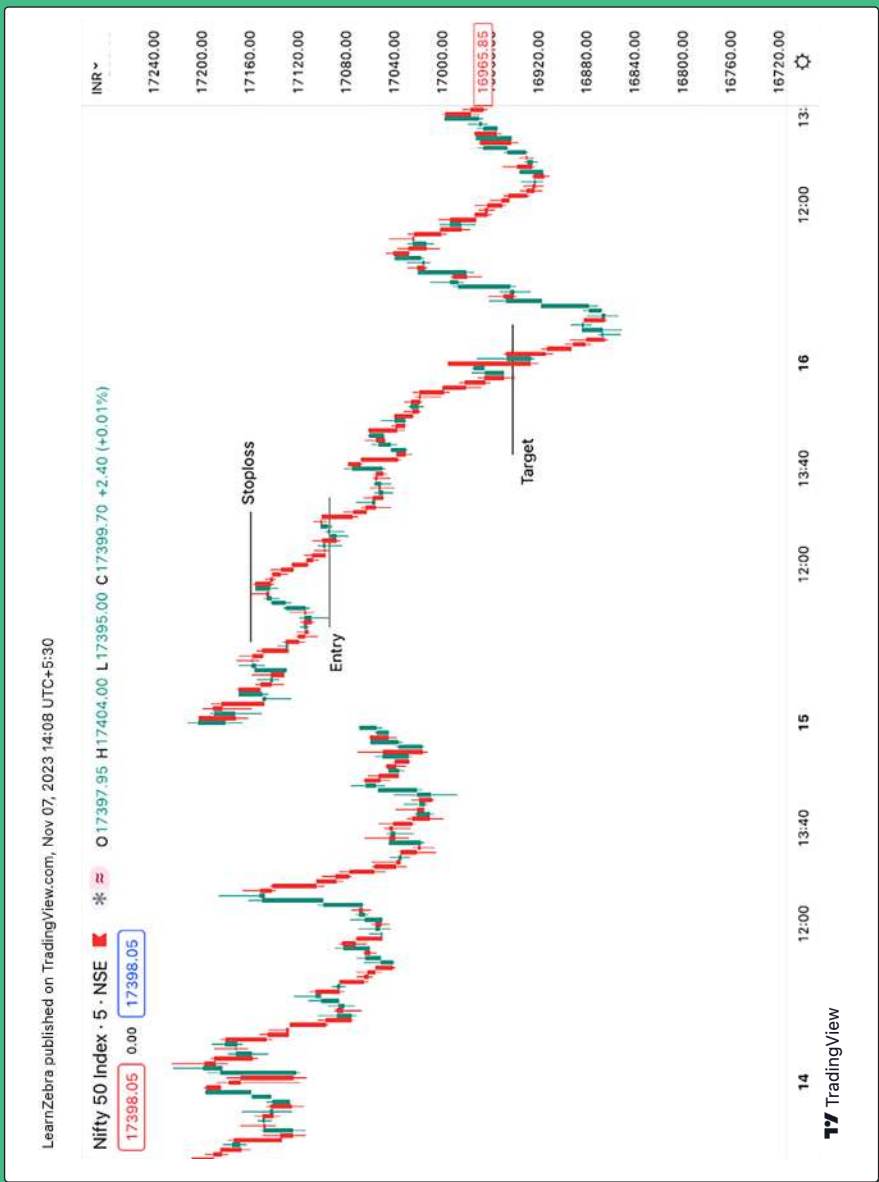
BUY at the top of the candle which broke the previous high.

Place **STOPLOSS** below the swing low.

TARGET the next swing high or keep trailing.

In the above illustration, you see that the price opened gap up and retraced back till half of the first 5-minute candle. If you zoom in on the chart and switch to a 1-minute timeframe, you will notice that the price retraced to 61.8% Fibonacci level. At 12:30 p.m., the high was broken which confirmed the uptrend and the entry triggered with the stoploss at the swing low and the target on a trailing basis. With this strategy, we booked a profit of a 1:2 Risk to Reward ratio.

TO SELL



TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Select the stock you want to trade.

Select the timeframe according to your trading style.

Wait for the price to break the previous low.

The sell entry is triggered when the previous low is broken.

SELL at the bottom of the candle which broke the previous low.

Place **STOPLOSS** above the swing high.

TARGET the next swing low or keep trailing.

In the above illustration, it is evident that the market was in a downtrend. While the market opened a gap-up due to short covering, it was still in the downtrend. Once a low was created by the price, we waited for its breakdown to enter a short trade. At 12:50 p.m., a strong bearish candle broke the swing low and continued to plummet below the previous low which confirmed the sell trade. Keeping the stoploss above the swing high, we trailed the target and booked below another swing low which gave us a good 1:3 Risk to Reward ratio.

The proponents of Dow theory believes in the market swings. When trading on Dow theory based strategies, you must confirm these trends with a momentum oscillator. Why? Because once a high or low is broken, the market needs strength to create another high or low. Without a momentum, the price will hover around the area and moves nowhere.



Indicators



Alert



Replay



3.2

SMART MONEY CONCEPT



Strategy video

It was raining cats and dogs in Mumbai in 2004. I was stuck near the Bombay Stock Exchange (BSE) when my path crossed with this gentleman. A brown-eyed stout with a briefcase in his hand, waiting for his driver. He came and stood near me. He picked up a call and said, "Haan? Breakout par hai? Okay! Kardo short". "What was he talking about? Seemed like he was into stock markets. I was wondering, "Should I should initiate a conversation with him?"

Aseem

"Are you a trader, sir?"

Him

"I don't know! I just buy/sell for a living."

Aseem

"Then definitely, you are a trader."

Him

"Haha! I wanted to become a Chartered Accountant, but God had different plans for me."

Aseem

"The market is quite bullish, sir. We are near the all-time high, and I'm quite excited."

Him (smirked and said,)

"Big money flows against the masses in the stock market."

Aseem

"What does that mean? Aren't you investing in the new Bharat? We are reaching skies, sir," I questioned.



T



Him

"Not at this level. It's the time to sell not to buy."

This was when all my learning in the market flashed in front of my eyes in a fraction of a second and screamed- "Aseem! He is an operator". I couldn't believe I was talking to a stock operator. I have always imagined them as evil. I know they hit stoplosses of retail investors, and change the trend. My heart was pumping fast like I would get a heart attack. I gathered my courage and asked him.

Aseem

"Why do you kill the hopes of millions?"

Him

"Hahah! We don't. We just eat your stoploss in breakfast."

Aseem

"How can someone be so heartless? Knowing the fact that innocent people enter markets with a dream. A dream to spend a lavish life, a dream to become financially free, with a dream to have millions in their bank accounts."

Him

"Not my fault! You see, they first surrender themselves by being greedy. The only thing we do is just wait and wait for them to buy high and sell low. They catch the falling knife; we don't."

He said and left in his brand-new Lexus. That was a wake-up call for me- To review all my trading systems and check how I can optimise them to save myself from stoploss hunting. Truly, the market goes against the retail traders. Otherwise, a gentleman like him wouldn't be roaming in a Lexus but a Maruti. Then how do we identify where the big players enter and exit? Chart patterns, price actions, and all these indicators that we generally use, are no different from what they have. How could they be one step ahead of us?

A few years later, after reading numerous books, I learned the hard way. They call it the 'Smart Money Concept'. This concept has its roots in the Western countries where forex trading is quite prevalent. This concept posits that some regions of high liquidity can pivot the market direction completely. Those areas have the high interest of High Net-worth Individuals (HNIs) and institutional traders. These are nothing but people with massive order brackets. Their bracket size, risk appetite, and rewards are more prominent than we generally know and have.



SMART MONEY

Smart Money Concept is a trading technique that professional traders use to identify pools of imbalance and high liquidity zones.

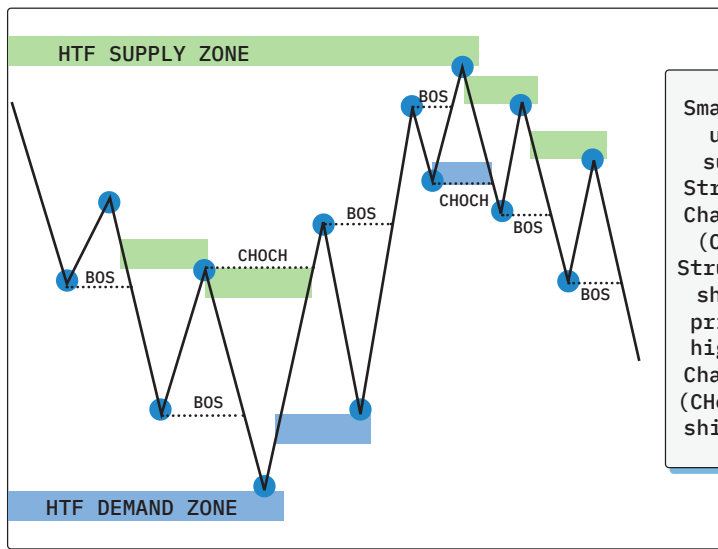


TradingView



This concept helps traders to place trades with the big players. I.e. HNIs and institutions.

To be honest, there is a stark difference between the mindset of a retail trader and a professional one. Retail traders rush behind obvious signs of the price patterns whereas professionals create one.



Smart Money Concept uses components such as Break of Structure (BoS) and Change of Character (ChoCH). Break of Structure or BoS for short, represents price making a new high. Whereas, the Change of Character (ChoCH) represents a shift in the trend.

BREAK OF STRUCTURE



Break of Structure- when the price breaks the previous high and moves towards a new high.

CHANGE OF CHARACTER

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

50 Nifty 50 Index · 15 · NSE - ≈ O19749.15 H19749.15 L19742.35 C19742.35 -6.50 (-0.03%)

19742.35	0.00	19742.35
----------	------	----------

0.00

35

2.35

0.00

35

INR

18200.00

18100.00

18000.00

17900.00

17800.00

17700.00

17600.00

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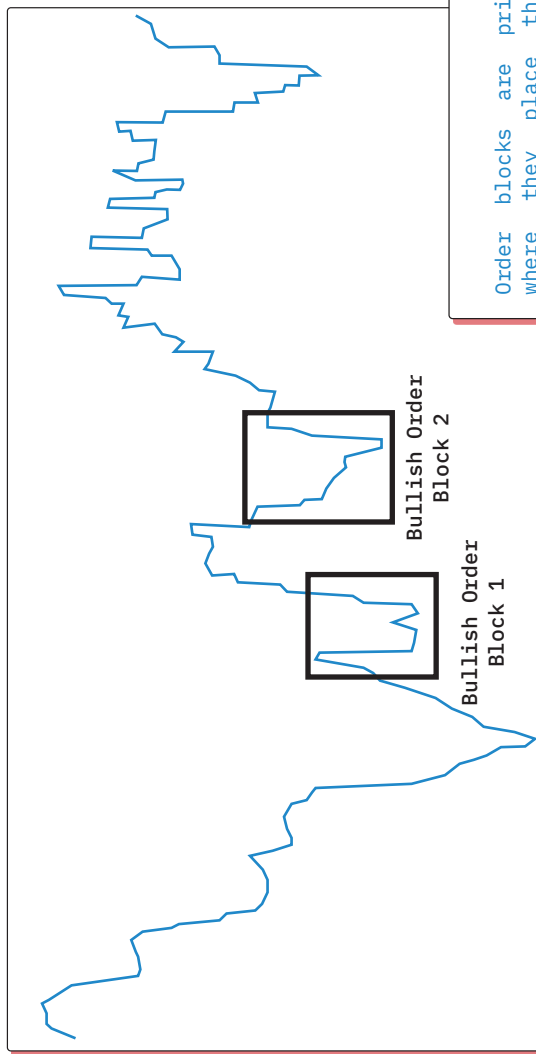
17300.00

CHOCH

Change of Character- When the price fails to move in the previous direction and pivots.

10 13

This does not end here. Smart money does not buy in one go- they break their trades into small chunks to avoid creating explosive moves in the market. They move silently like a hungry Cheetah. But, due to the evolution of the Smart Money Concept, there are findings that says they create order blocks in the market.



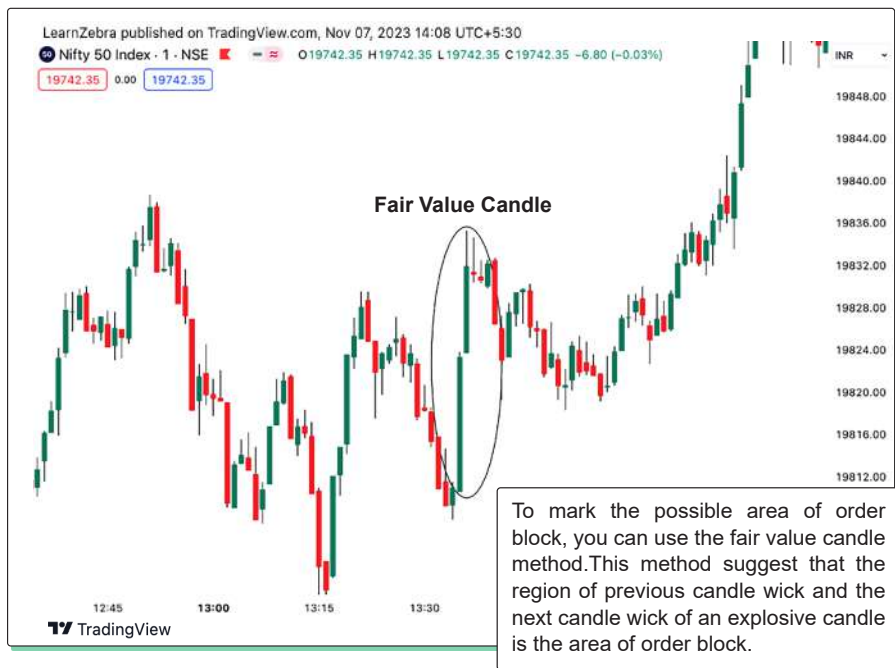
Order blocks are price levels where they place their limit orders and wait for the price to come nearby. Once the order block is fulfilled, a move can be seen on the chart in their favourable direction. These are also called 'Pending Order Blocks.'

For example:

If a big player has to buy a stock, he cannot do it in one go. Why? The answer is- the stock will run like crazy and might hit the upper circuit. This also breaks the compliance. **To respect the compliance, he has to put multiple buy orders of less quantities.**



Such explosives in the market create Fear Of Missing Out (FOMO). While stock operators are infamous, they play their game smartly. They possess the power to make or break the market, but they don't do it. However, they focus on riding the trend at the earliest.





As you can see on the above chart, one explosive candle captured good points but then retraced back to the level of a fair value candle. The chart clearly tells that the fair value candle zone works and price has moved after reaching the zone. As a trader, you need to mark these areas to get more accuracy.



WHAT DO ORDER BLOCKS LOOK LIKE?

When the price moves strongly in a direction, it gives hope for a trend. But, there will be some high-interest areas of HNIs where they have set their limit orders.



In the above picture, Nifty was in a downtrend and making big red candles on the 1-minute timeframe (A). Even after the market fell aggressively, sudden buying can be seen near the 19,900 level (B). For most retailers, it might be a time for celebrating sell-off in the market but only the big players knew that they were getting a fair valuation and a perfect spot for entry. After a few minutes, the market retraced back near the order block zone, but due to heavy buy interest from big players, the price pivoted without touching the zone (C).

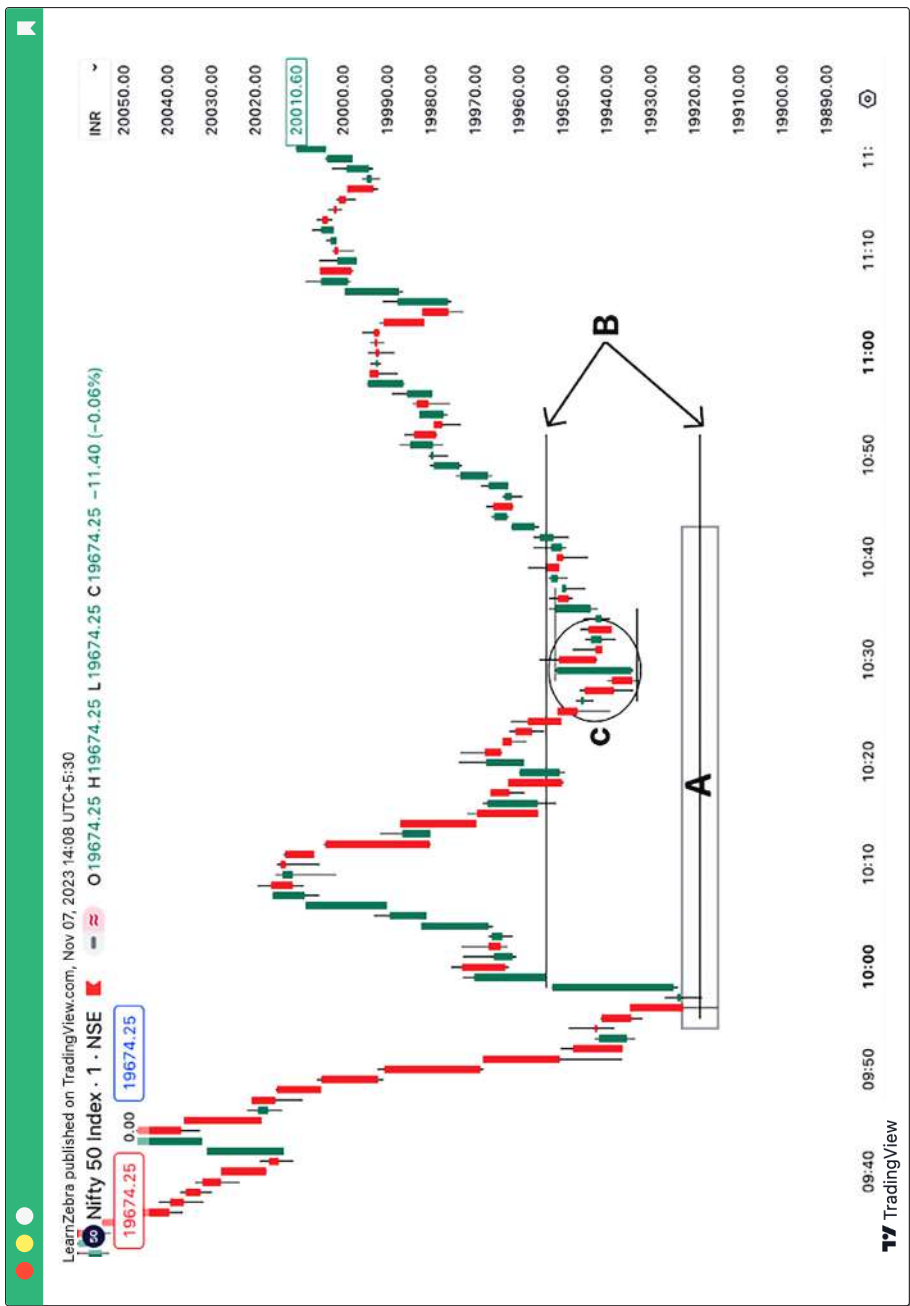


HOW TO TRADE USING THE SMART MONEY CONCEPT? ▼

To **BUY** using the SMC method, take the following steps:

- ✓ Look for aggressive selling on any security.
- ✓ Look for a strong price shift to the upside.
- ✓ Mark the lower wick of the candles as an order block.
- ✓ Extend it and see if the price retraces back to this level.
- ✓ Try finding fair-value candles and an order block to mark the potential buying area.
- ✓ Let the price retrace to this level and make a bullish reversal sign.
- ✓ Buy above the high of the reversal candle.
- ✓ Place stoploss below the low of the green candle or swing low.
- ✓ The next resistance area is considered as the target area.
- ✓ With this strategy, you can get a big risk-to-reward ratio.





A

In the above chart, A indicates an order block where the price saw a sudden shift in the movement. The A is now in our focus and is the price for order fulfillment.

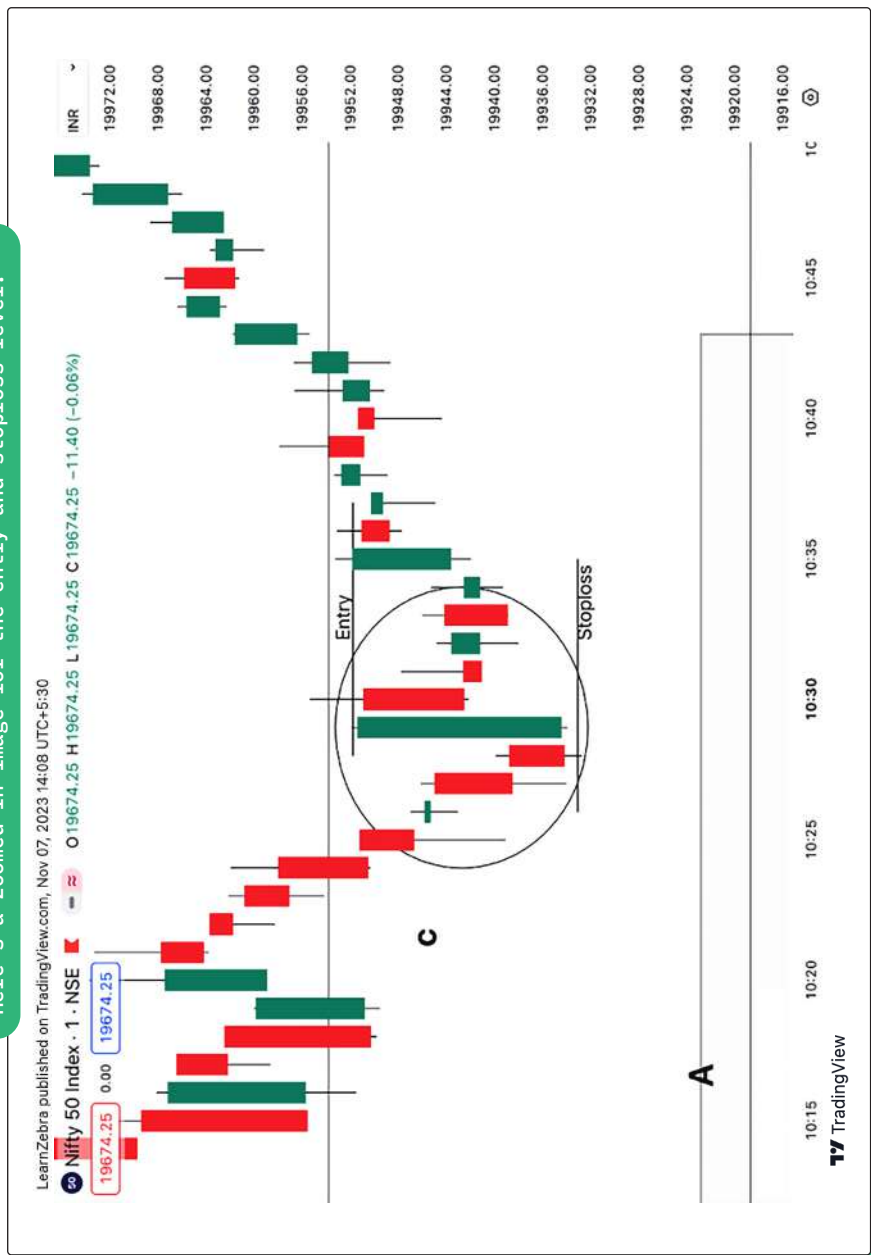
B

The B indicates that the fair value candle has given us a potential buying zone for a perfect entry. As you move further, you can see a bullish Marubozu candle indicating order fulfillment above the order block. Now, do not confuse the next potential buying zone as the order block zone. Yes, it's true that the price has pivoted from above the order block but not every time it is likely reach to the exact marked level.

C

The C indicates the entry and stoploss level for this trade. With this strategy, we bought above the bullish candle and kept stoploss at the low. We succeeded to ride the trend till the major resistance level.

Here's a zoomed-in image for the entry and stoploss level:





To **SELL** using the SMC method, take the following steps:

- ✓ Look for aggressive buying in any security.
- ✓ Look for a strong price shift to the downside.
- ✓ Mark the upper wick of the candles as an order block.
- ✓ Extend it and see if the price retraces back to this level.
- ✓ Try finding fair-value candles and an order block to mark the potential selling area.
- ✓ Let the price retrace to this level and make a bearish reversal sign.
- ✓ Sell below the low of the reversal candle.
- ✓ Place stoploss above the high of the red candle or swing high.
- ✓ The next support area is considered as the target area.
- ✓ With this strategy, you can get a big risk-to-reward ratio.



LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

Nifty 50 Index · 1 · NSE O 19674.25 H 19674.25 L 19674.25 C 19674.25 -11.40 (-0.06%)

19674.25 0.00 19674.25



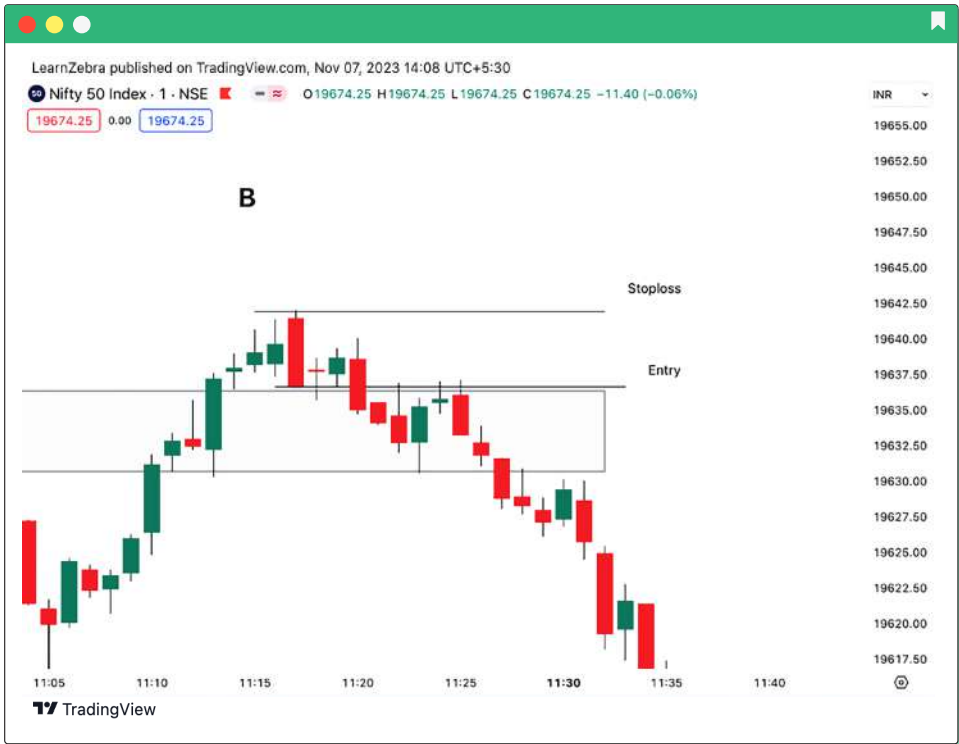
A

In the above chart, A represents the order block where the price is about to retest. After a while, the price retraced back to the marked order block. Note that every time you may not have a perfect order block or a fair-value candle.

B

An order block represents high interest zones of Smart Money and tells you about the subsequent order fulfilment. Around 11:30 a.m. the price tried to breach the order block but failed and Nifty made a bearish Marubozu candle. This bearish candle confirms a sell trade with the entry below its low and the stoploss above its high.

Here's a zoomed-in picture for entry and exit points:



CONCLUSION

In conclusion, the Smart Money Concept (SMC) is a trading technique that provides insights into how institutional traders and large players operate. It emphasises on identifying key market components like Break of Structure (BoS) and Change of Character (CHoCH) and recognises order blocks for strategic entry.

To apply SMC, traders should look for aggressive market moves, mark order blocks, and wait for price retracements to establish positions. This approach can offer a favourable risk-to-reward ratio and enhance trading strategies. However, trading involves risks, so proper research and risk management are crucial for success.



3.3

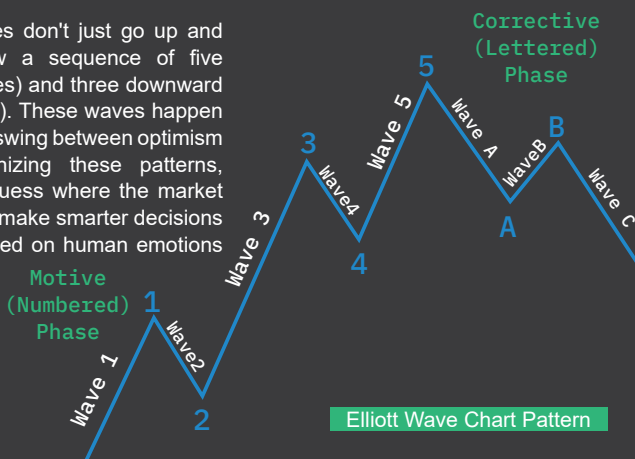
MASTERING ELLIOTT WAVE THEORY FOR PROFITABLE TRADING



Strategy video



It suggests that market prices don't just go up and down randomly; they follow a sequence of five upward waves (like good times) and three downward waves (like challenging times). These waves happen because market participants swing between optimism and pessimism. By recognizing these patterns, traders and analysts try to guess where the market is headed next, helping them make smarter decisions about buying and selling based on human emotions and behaviour.



Elliott Wave Chart Pattern

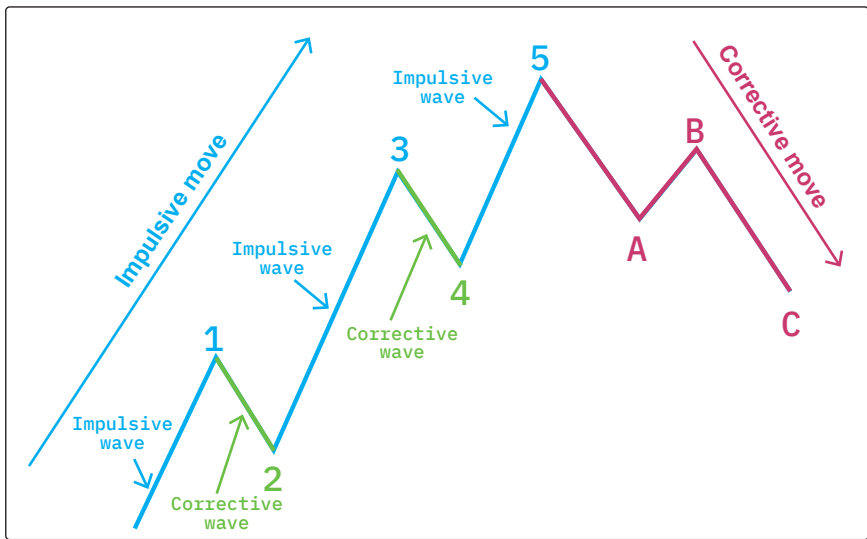
THE STRATEGY: UNDERSTANDING THE OBJECTIVE

Before we delve into the trading strategy, let's revisit the fundamentals of Elliott Wave theory. Elliott Wave theory suggests that financial markets move in a repetitive pattern of impulsive and corrective waves.

IMPULSIVE WAVES

Impulsive waves are characterized by strong upward or downward price movements.

- In my analysis, I've identified an impulsive wave as Wave #1 when the price of Grasim surged significantly.



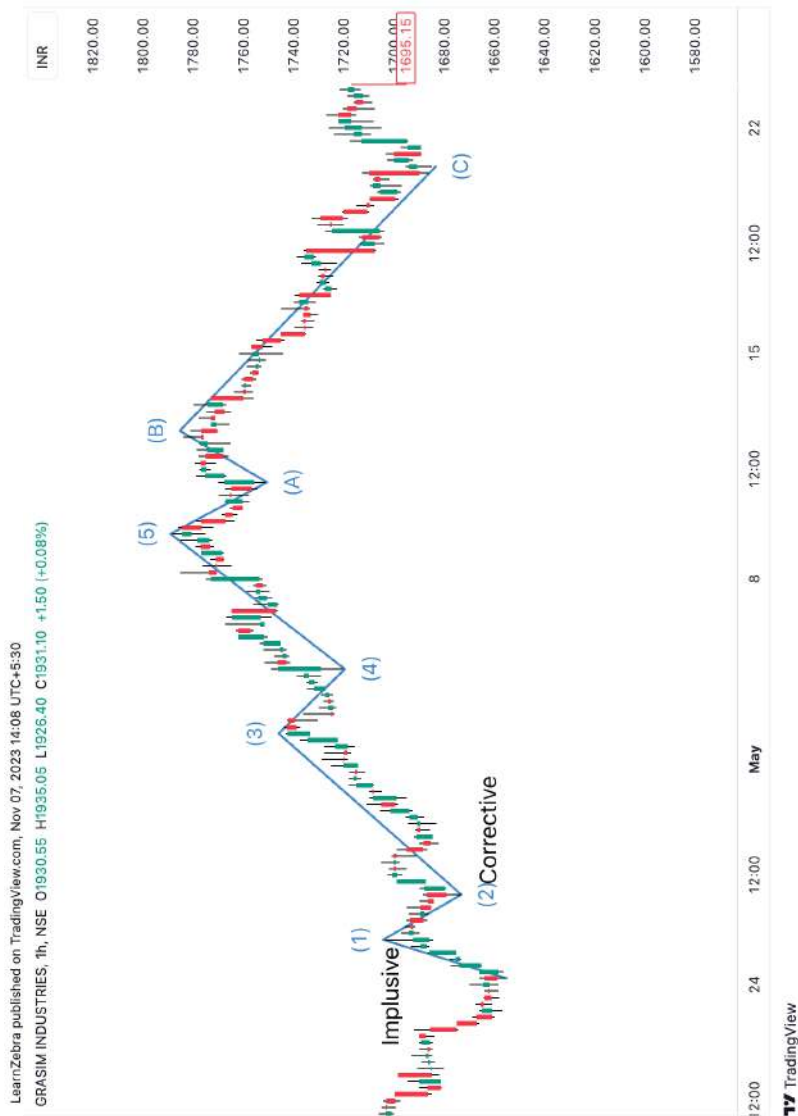
CORRECTIVE WAVES

Corrective waves involve pullbacks or consolidation in price.

- Wave #2 represents a corrective wave in which the price retraced from its previous impulsive move.



RULES FOR IDENTIFYING ELLIOTT WAVES





To confirm the presence of Elliott Waves and distinguish them from random price fluctuations, I you should follow these rules:

1. WAVE 3 RULE:

Wave #3 should be the longest and most powerful of all the impulsive waves.

2. WAVE 4 RULE:

The low of Wave #4 should not fall below the high of Wave #1.

3. WAVE 5 RULE:

Wave #5 should be shorter than Wave #3 but longer than Wave #1.

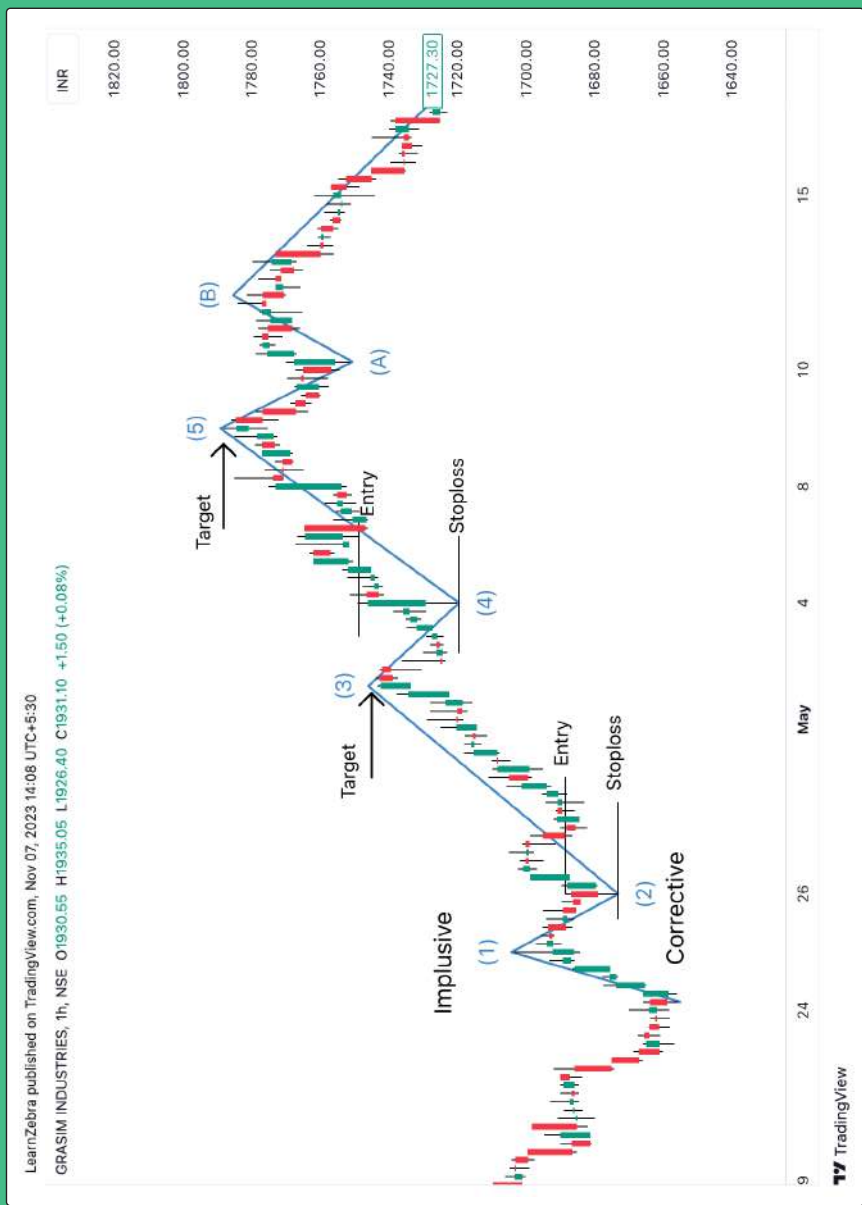
4. WAVE 2 RULE:

The low of Wave #2 should be lower than the low of Wave #4.

These rules are essential to ensure the validity of Elliott Waves and guide your decision-making process.



> THE EXECUTION



TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open a charting platform.

Choose a security you want to trade.

Mark the swing highs and lows as per the Elliot Wave Theory.

The first buying opportunity is at the correction point (2) of the first impulsive move that initiates the Elliott Wave.

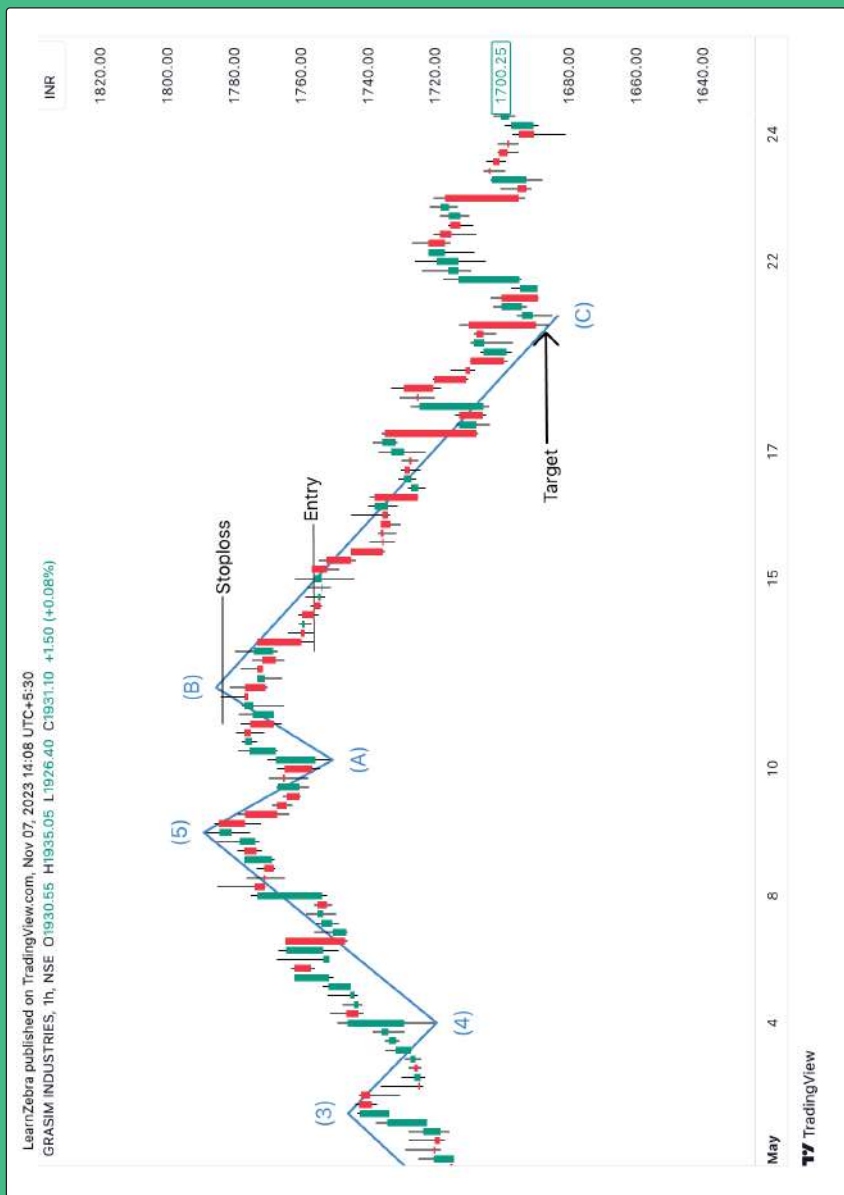
The second buying opportunity is at the correction point (4) of the Third wave. When the price makes a bullish indication at the swing low, take the long trade at the high of the bullish candle.

Place **STOPLOSS** below the swing low in all cases.

TARGET will be the next swing high.

Ideal Risk to reward ratio will be 1:2.

TO SELL





TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open a charting platform.

Choose a security you want to trade.

Mark the swing highs and lows as per the Elliot Wave Theory.

The first selling opportunity is at the Swing high of the wave B that initiates the downward direction.

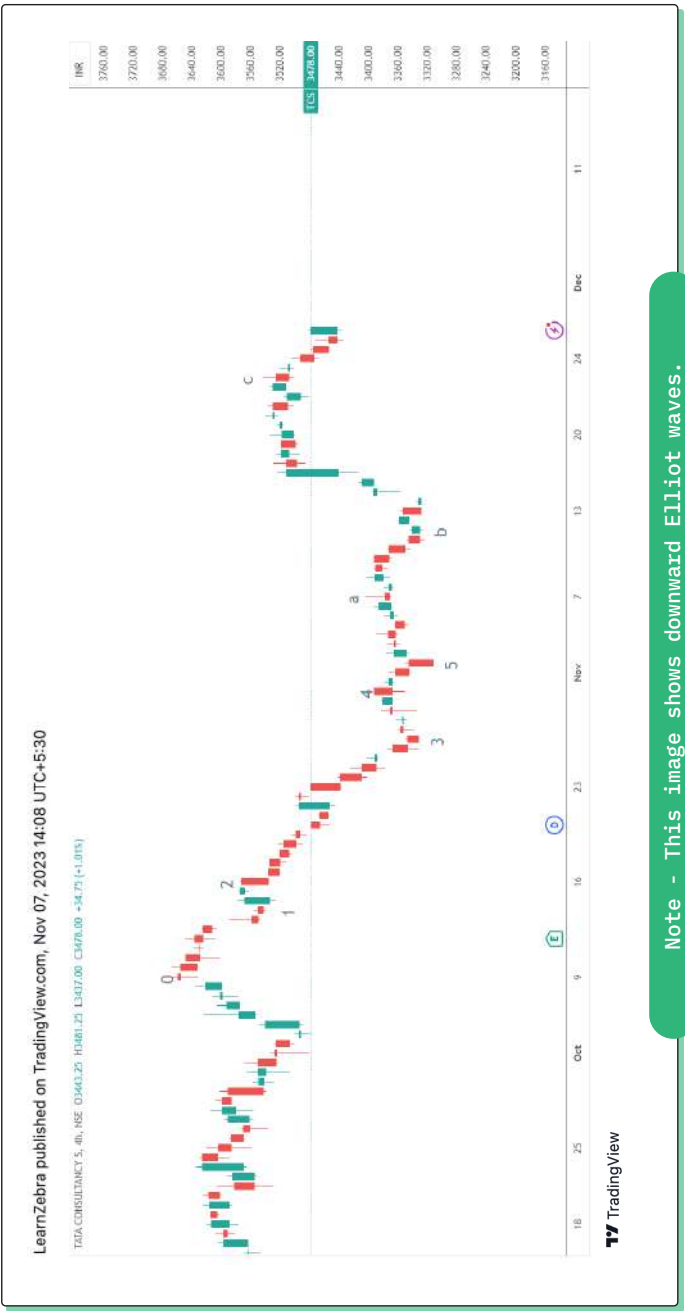
The second selling opportunity is at the swing high of the wave C. When the price makes a bearish indication at the swing high, take the short trade at the low of the bearish candle.

Place **STOPLOSS** above the swing high in all cases.

TARGET will be the next swing low.

The ideal Risk to reward ratio will be 1:2.





Note - This image shows downward Elliott waves.



CONCLUSION: PUTTING IT ALL TOGETHER

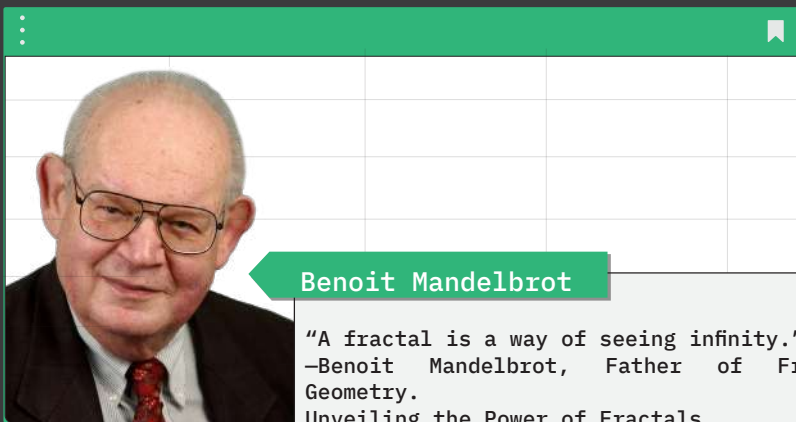
In closing, we'll wrap up our journey of Elliott Wave theory and this trading strategy. Remember, while this strategy can be potent, no approach is foolproof. Success in the financial markets requires a blend of strategy, discipline, and risk management.

3.4

MASTERING FRACTAL-BASED TRADING: A PERSONAL APPROACH



Strategy video



Benoit Mandelbrot

"A fractal is a way of seeing infinity."
 —Benoit Mandelbrot, Father of Fractal Geometry.
 Unveiling the Power of Fractals

In this chapter, I'm excited to share an advanced trading strategy that has proven to be a game-changer in my journey as a trader.



Bill Williams

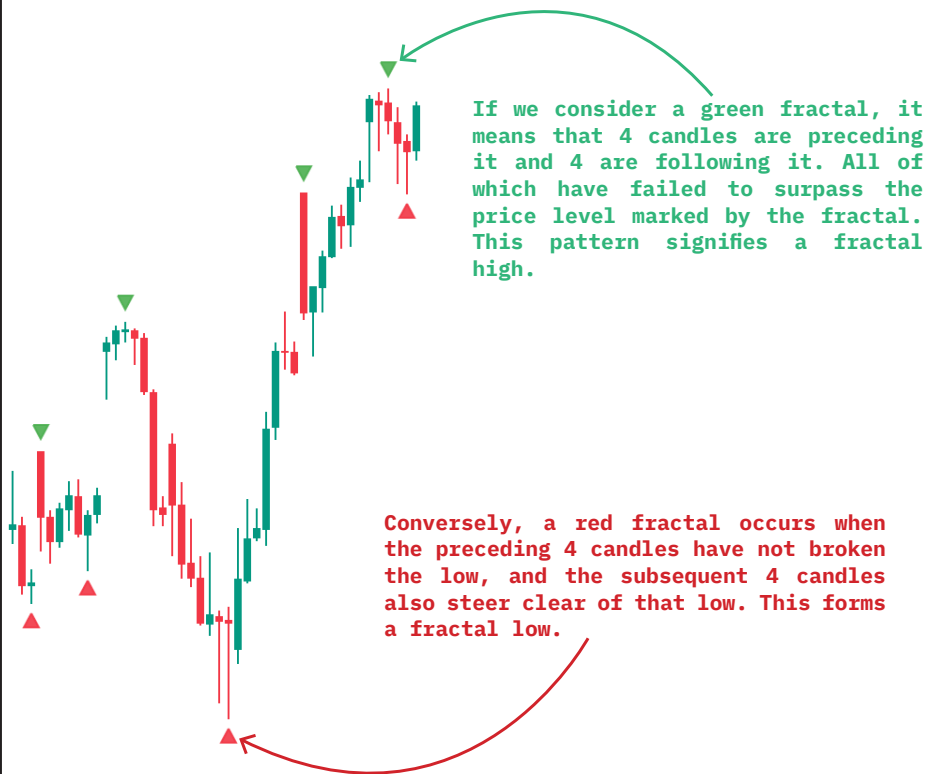
We will explore the intricacies of fractals, a tool developed by the legendary Bill Williams. Fractals have the potential to revolutionise the way you approach the markets. I'll walk you through how they work and how to harness their power.



In my strategy, I prefer the 4/4 setting, meaning 4 candles on each side of the fractal.



Let me break it down further.



THE FRACTAL TRADING APPROACH ▼

Now, how can we leverage these fractals for trading? The answer lies in the breakout strategy. We need to combine fractals with other indicators or tools to implement this strategy effectively. In my example, I'll demonstrate how to incorporate a moving average, but remember that you can use various indicators like RSI or MACD to complement fractals.

HOW TO APPLY FRACTAL INDICATOR ▼

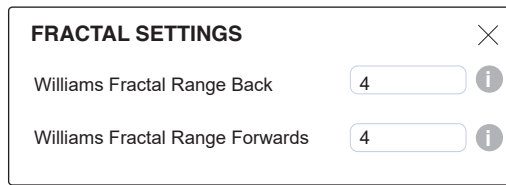
ON CHART

STEP 1: Go to any trading platform (I am using www.tradingview.com in this case).

STEP 2: Search “Willian Fractal Trailing Stops by Simple Crypto”.



STEP 3: Apply and tweak its settings.



STEP 4: Along with this, apply a 50-Day Simple Moving Average.



LET'S DIVE INTO THE PRACTICAL APPLICATION OF THIS STRATEGY

1. Adding a Moving Average:

Start by adding a Simple Moving Average (SMA) to your chart. The choice of the SMA period depends on your preference. For this illustration, I'll use a 50-period SMA. The SMA will help determine the direction of your trade.

SMA

Inputs

Style

Visibility

Length

50

Source

close

Offset

0

SMOOTHING

Method

SMA

Length

50

BUILD THRESHOLD

Timeframe

Chart

Defaults

Cancel

OK

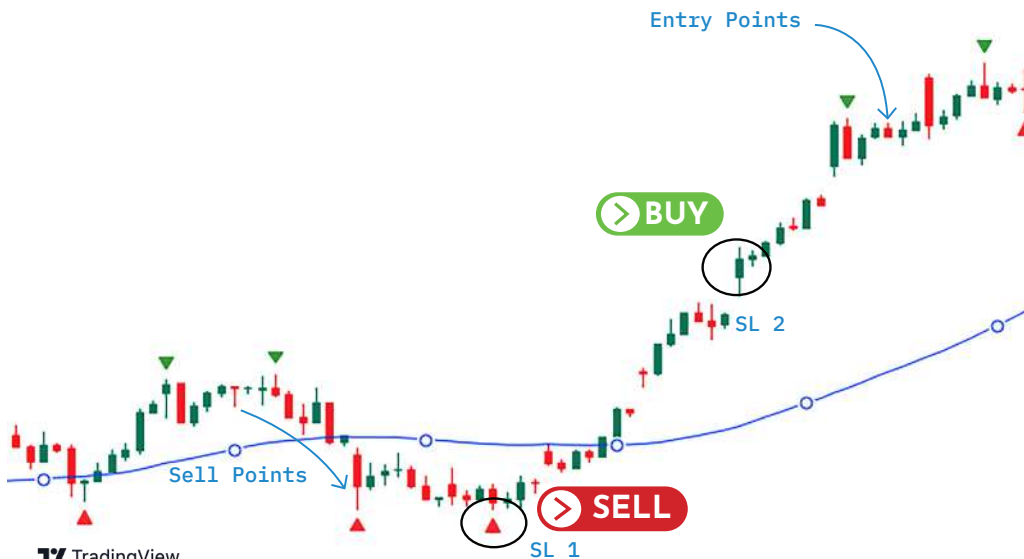
LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

50 Nifty 50 Index · 1h · NSE
 O19817.35 H19832.45 L19816.05 C19820.50 +3.25 (+0.02%)

19819.95
0.00
19819.95

Williams Trailing Stops 4 4 0 Close 0.00 0.00 0 0 0 0

SMA 50 close 0 SMA 50



TradingView



2. Setting the Direction:

The SMA acts as a directional filter. When the price is above the 50-period SMA, we look for buy trades, and when it's below, we focus on sell trades. This approach provides a clear bias based on the moving average's position.

3. Identifying Entry Points:

To buy, do the following things:

- Add 50-period SMA on the chart.
- Wait for the price to move above the 50-period SMA.
- Buy when the previous fractal high is broken with a green candle for the entry.

4. Implementing Stoploss:

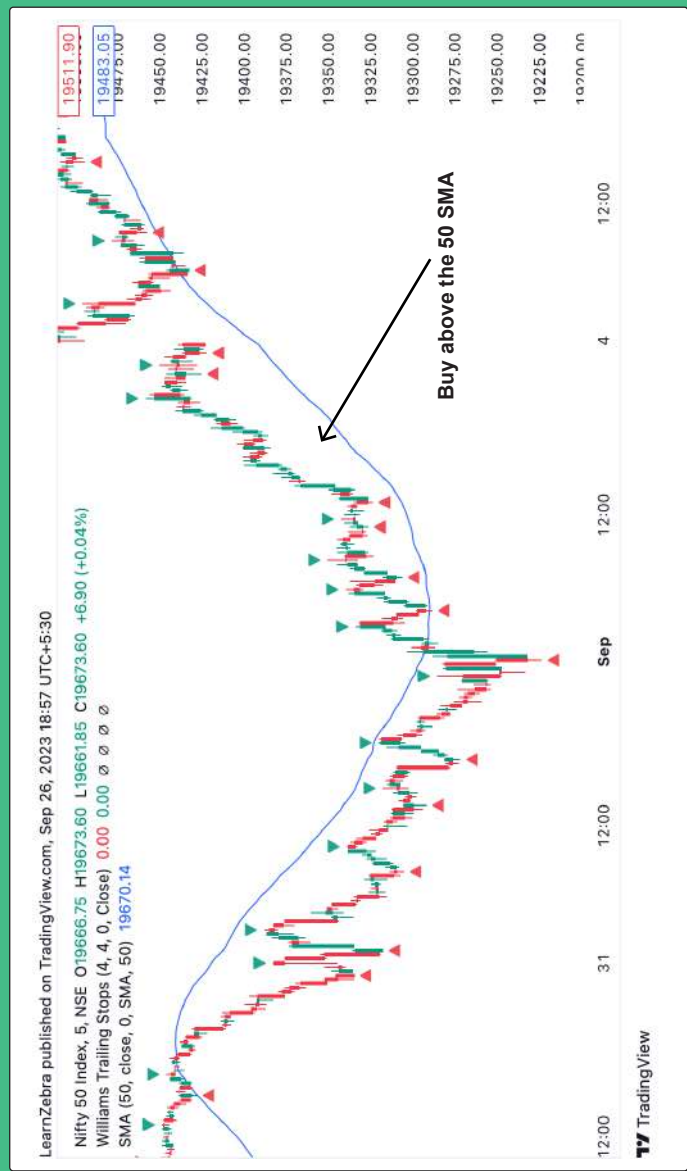
A crucial element of risk management is setting stoplosses. Depending on your risk tolerance, you can place the stoploss either at the fractal level or, if the fractal is too distant, at the nearest significant swing high or low. Maintaining a risk-reward ratio of at least 1:2 or 1:3 is advisable.



Let's examine a few real-world examples to see how this fractal-based strategy works in practice:

Contrastingly, when a green fractal formed above the 50-period SMA, it indicated a potential buy trade. I entered a long position at the fractal's high, and my stoploss was placed just below the recent swing low. This trade also yielded positive results, reinforcing the strategy's efficacy.

THE EXECUTION





TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any charting software.

Select the security you want to trade.

Look for an uptrend and points where the bear run has exhausted. Why? Because a spot where the bear run has exhausted can turn into a reversal point for the price. It can rally, giving us an excellent Risk to Reward ratio.

Set 'Williams Fractal trailing Stoploss by SimpleCrypto'.

Wait for the price to move above the 50-day Simple Moving Average.

Look for the fractal high to be broken.

BUY when the price breaks the previous fractal high.

Since we have tweaked the fractal range forward from 2 to 4, we have a strong resistance that will get broken, and the price can move in the upward direction.

The ideal place to put the **STOPLOSS** is the recent swing low or below the 50-day Simple Moving Average.

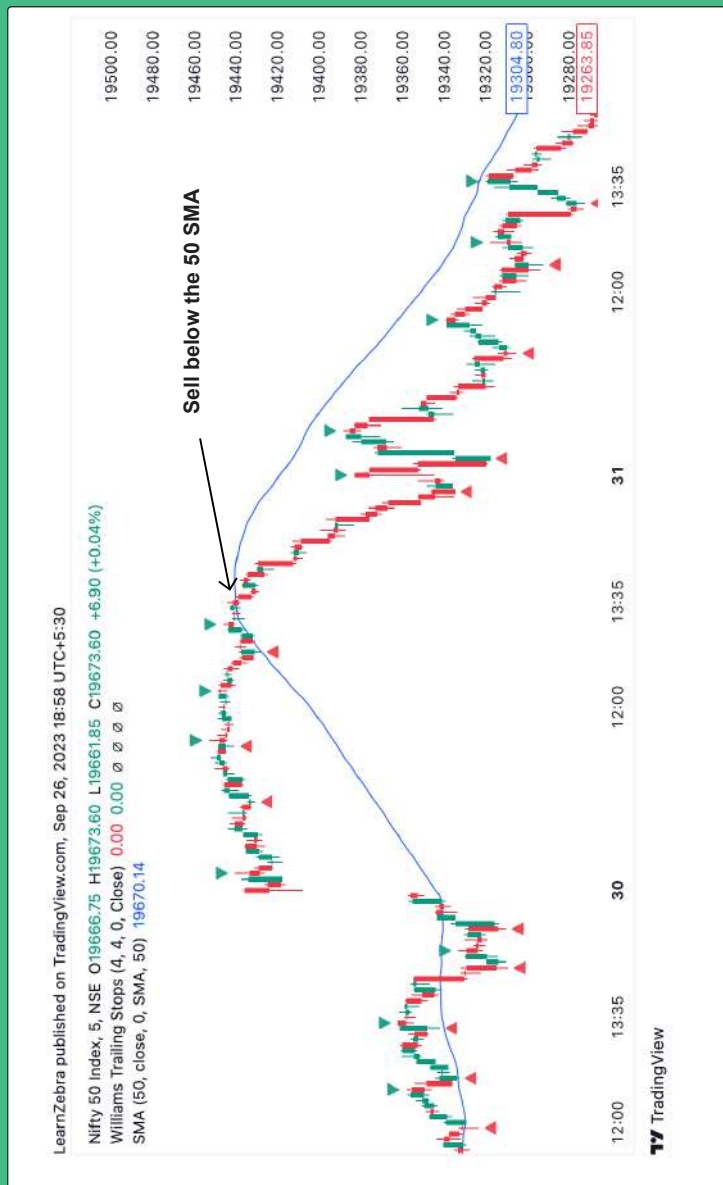
The **TARGET** point is when the price starts to face rejection, and there is a chance of reversal at any point.

The ideal Risk to Reward ratio is 1:2.



In this case, a red fractal appeared below the 50-period SMA, signalling a potential sell trade. I entered a short position at the fractal's low. Setting my stoploss just above the recent swing high ensured that my risk was well-defined. The trade played out successfully, providing a satisfying 1:2 risk-reward ratio.

> TO SELL





TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any charting software.

Select the security you want to trade.

Look for a downtrend and points where the bull run has exhausted. Why? Because a spot where the bull run has exhausted can turn into a reversal point for the price. The price can then pivot from there and fall giving us a good Risk to Reward ratio.

Set 'Williams Fractal trailing Stoploss by SimpleCrypto'.

Wait for the price to fall below the 50-day Simple Moving Average.

Look for the fractal low to be broken.

SELL when the price breaks the previous fractal low.

Since we have tweaked the fractal range backwards from 2 to 4, we have a strong support that can be broken and the price can give move in the downward direction.

The ideal place to put the **STOPLOSS** is the recent swing high or above the 50-day Simple Moving Average.

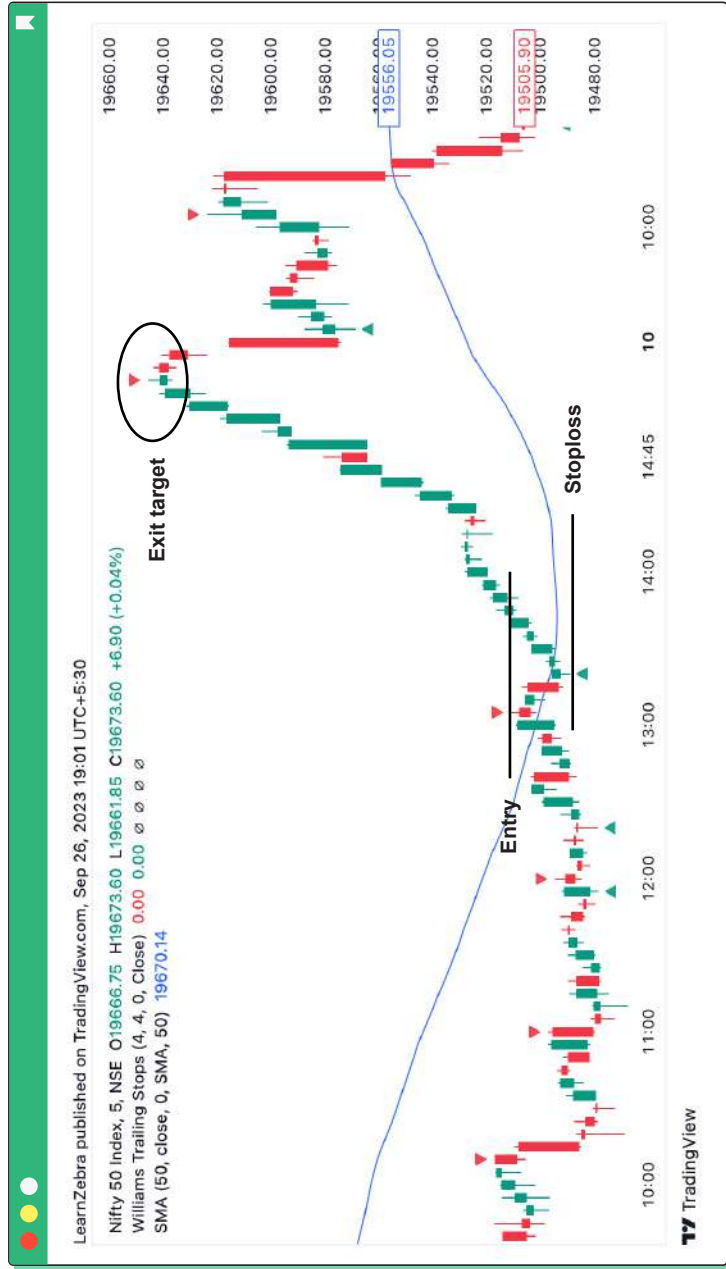
The **TARGET** point is when the price takes support and reverses at any point.

The ideal Risk to Reward ratio is 1:2.



EXAMPLE 3: OPTIMAL CONDITIONS

For the most promising trades, aim for scenarios where all conditions align: the fractal appears near the moving average, the direction indicated by the SMA corroborates with the trade, and the risk-reward ratio is favourable. These trades have the highest likelihood of success.





FINAL THOUGHTS

The fractal-based trading strategy I've shared is a versatile approach that can be applied across various timeframes and markets. It thrives on simplicity and precision. You can significantly enhance your trading prowess by utilizing fractals as dynamic support and resistance levels and integrating them with a moving average.

However, it's important to remember that no trading strategy is infallible. Risk management remains crucial. Always practice efficient position sizing and adhere to your risk-reward ratio diligently.

As you venture into fractal-based trading, you'll likely encounter a learning curve. However, this strategy can become a valuable tool in your trading arsenal with practice and patience. Over time, you'll develop the intuition to identify optimal trade setups and make informed decisions.



3.5

TRADING WITH RENKO CHARTS



Strategy video

Columns

High-low

Renko

Line break

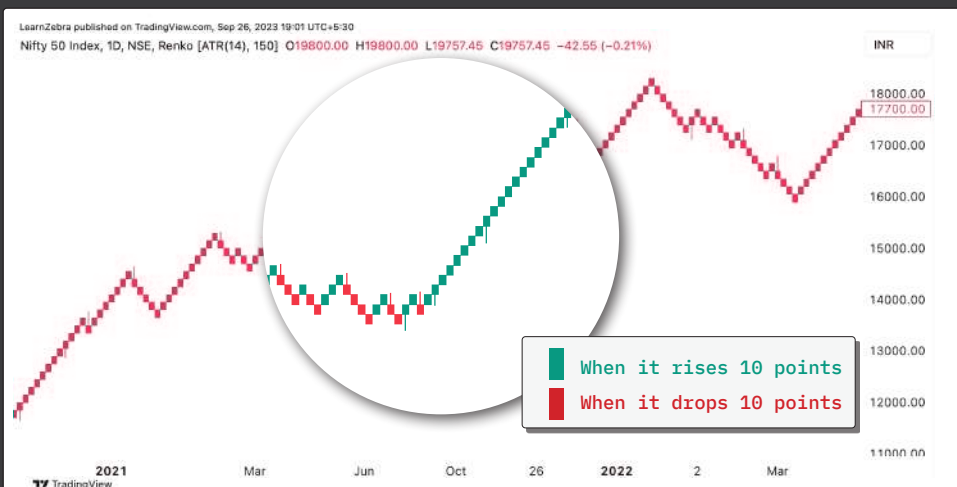
Kagi

In this chapter, I am going to use Renko Charting along with Candlestick Charting format for getting effective trading signals. Now, what are Renko charts and how do they differ from Candlesticks? I will get to this in a minute.

This trading setup can be used on any timeframe but I recommend using it on the 15-minutes time frame as it performs well on a 15-minute chart. I have tried to make this strategy as simple as it can be so that both novice and experienced traders can use it. Now, let us talk about the Renko Charts.

UNDERSTANDING RENKO CHARTS

Renko charts provide a different way of identifying price trends and reversals by cutting off noise from the price chart. Renko charts look like bricks that represent fixed price movements. For example, a 10-point Renko chart will have new bricks formed whenever the price moves 10 points.



To make it even easier to understand, the Renko chart makes a green brick whenever the underlying asset rises 10 points and conversely, the Renko chart makes a red brick whenever the underlying asset drops 10 points. Since only sustained moves are plotted on the Renko charts, it helps in filtering the noise and makes price trends stand out clearly.

Up bars

Down bars

Projection up bars

Projection down bars

☒ Wick

Source

Close

Box size assignment method

ATR

ATR length

14

Cancel

Ok

Another thing to remember is that unlike candlestick, the Renko bricks are always equal in size. I recommend using the Renko charts on its default model which uses the ATR (Average True Range). (Do not worry you do not have to know what ATR is to execute this setup effectively).

I am using the default model because the Renko charts with ATR based brick size adjust to market conditions automatically.

I hope you must have got a clear idea of what Renko charts are and how it differs from the traditional candlestick chart. Next, let me discuss the rules of this trading strategy.

TRADING WITH RENKO CHARTS

The core premise of this trading strategy is to use the Renko charts for identifying long-term support and resistance levels,

RSI 14 close SMA 14 2



Stoch RSI 3 3 14 close 14 close

Mark and combine RSI and Stochastic RSI on the same chart for timing the trades.

On the other hand, I will be using the candlestick charts for entries, stoploss and trade management.

Do not get confused. Let me repeat.

I am using the Renko charts, RSI and Stochastic RSI for spotting the trade and I will be executing that trade with the help of a candlestick chart.



HERE ARE SOME OF THE RULES YOU NEED TO FOLLOW:

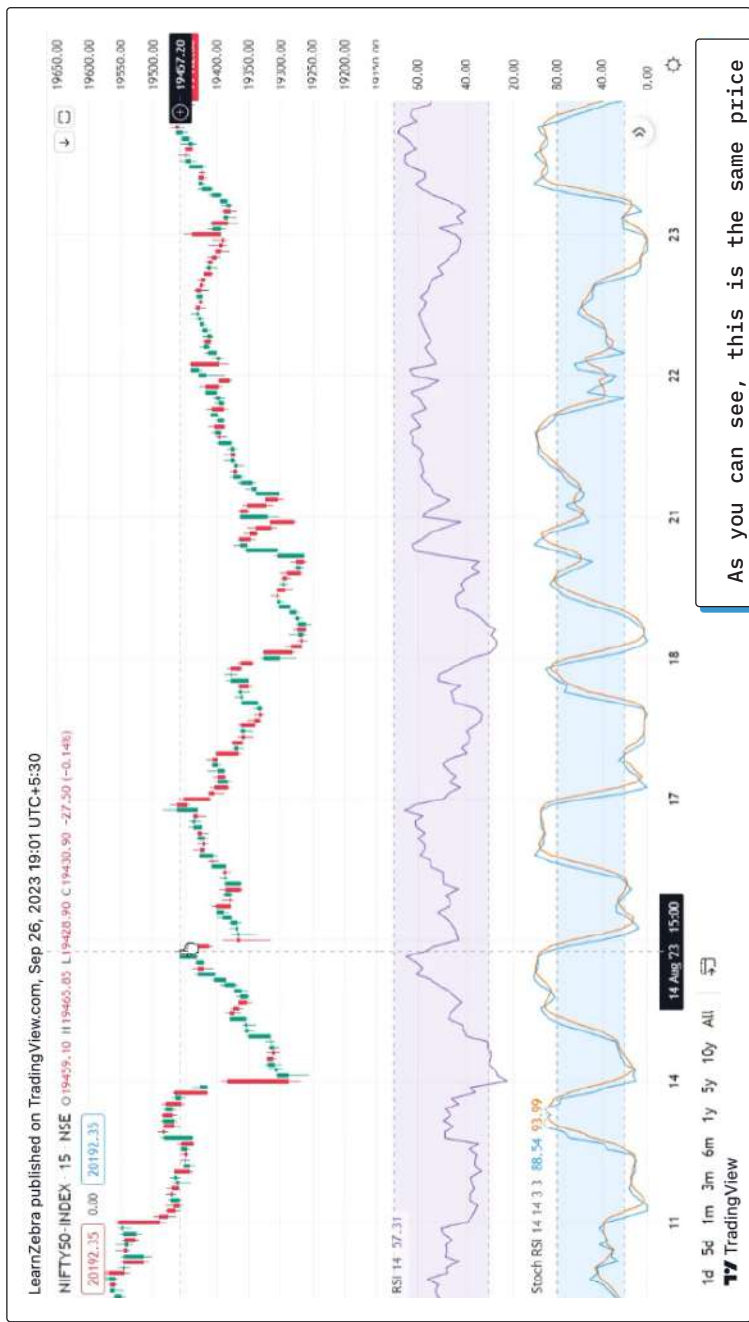
- 1 Plot the Renko charts in the default mode. Mark the long-term support and resistance levels you see.
- 2 Add the default RSI and Stochastic RSI on the Renko chart.
- 3 I will sell once the price is at the resistance levels and forms a Red brick while the RSI and Stochastic RSI are both indicating overbought market conditions and vice versa.
- 4 After selling, I will look for the corresponding price level and timeframe on the Candlestick chart for entering and placing the stoploss.
- 5 I will book profits at 1:3 risk to reward ratio minimum or if the conditions support, I can also trail my SL and ride the market trend.

Do not worry, let me show you some examples of this strategy:



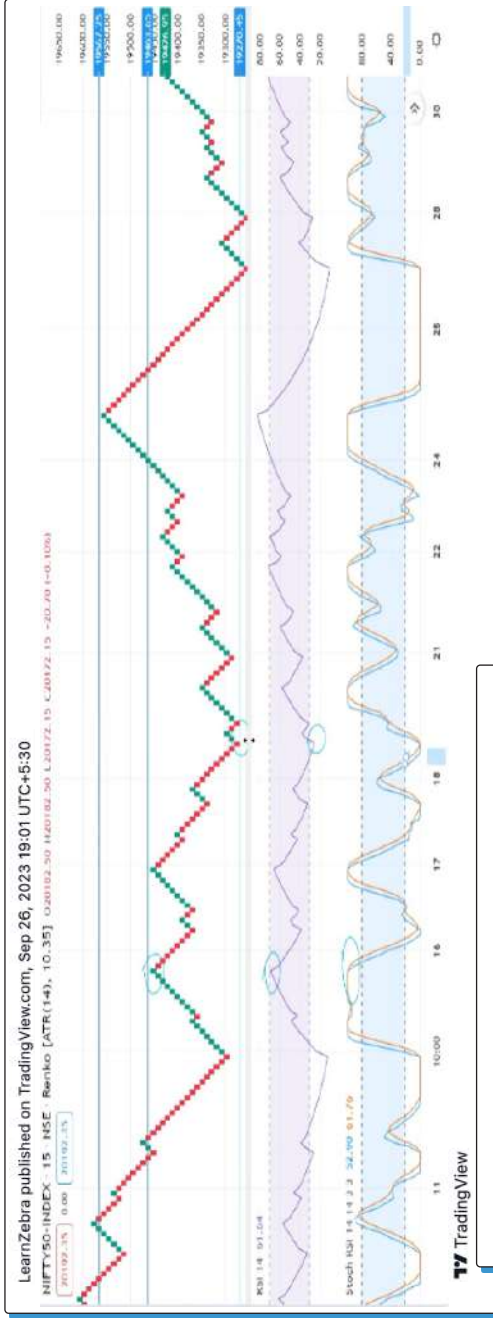
Notice how the Renko bricks form a red candle at the marked resistance level. A potential reversal is also confirmed by the overbought RSI and Stochastic RSI reading. This is where I will sell. However, before entering, I will be looking at the Candlestick charts for getting the entry and stoploss levels.

So, I will look at the time and open a candlestick chart of the same underlying asset.



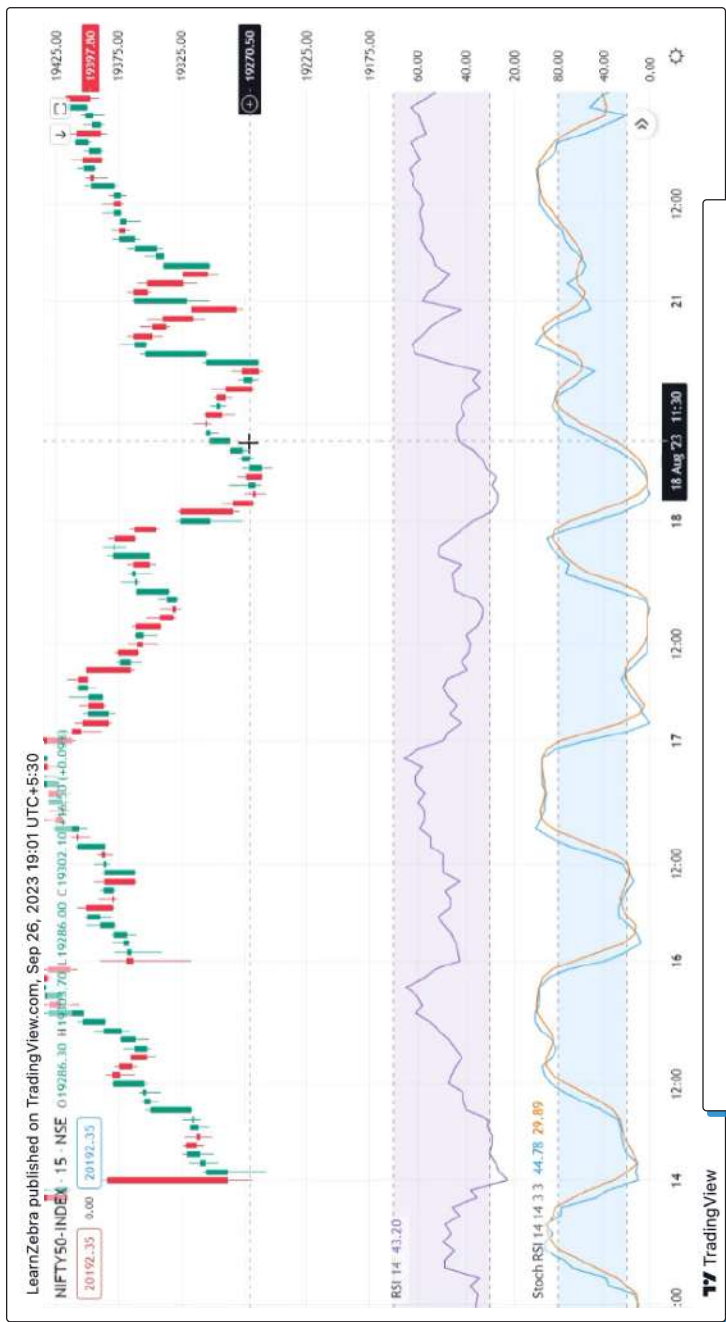
As you can see, this is the same price chart. Notice how the RSI is not overbought here. I will sell here (look at the cursor) and place my stoploss on the swing high.

Let me show an example of a bullish trade:



Notice the green brick forming near the long-term support market. This is where I will look at both of the indicators, if they are oversold then this is another confirmation of a potential trend reversal.

Next, I will look at the Candlestick chart and confirm the entry and stoploss levels.



This is where I will be entering (the cursor represents the entry candle) and I will be keeping the stoploss below the swing low.

This way, you can easily target 1:3 risk to reward trades while using this strategy.

CONCLUSION

In conclusion, this setup is quite effective because the Renko charts provide higher probability reversal zones along with oscillators which add timing confirmation. This strategy also takes into account multiple factors/angles before executing an actual trade. The Renko charts, when used with multiple technical indicators, provide a structured approach to time entries based on role reversals.





Indicators



Alert



Replay



3.6

DONCHIAN CHANNEL AND PULLBACK

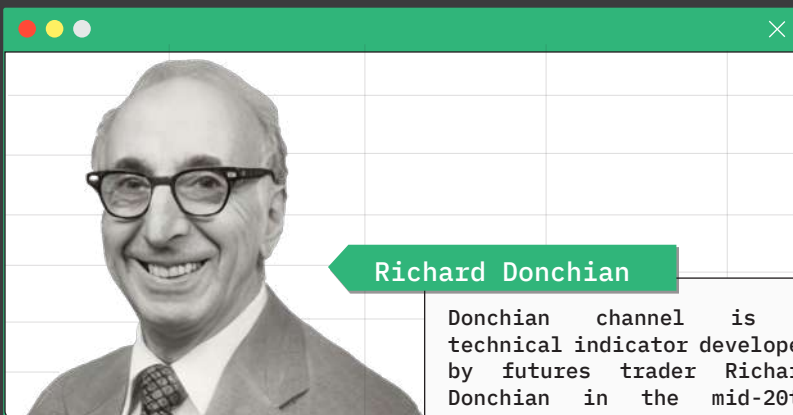


Strategy video

Often momentum traders find it difficult to trade the intraday segment due to high volatility and false signals. One such case is when the market is sideways and momentum traders get trapped at the extreme point. No trader has bought the market at the bottom or sold at the top. It is all about individual choices according to the perception of the market. When I started momentum trading, I was curious about how the market behaves before a rally or a fall. However, often, the market does not give a proper signal.

To avoid confusing momentum with the market being complex, an indicator-based strategy giving an edge is the need of the hour.

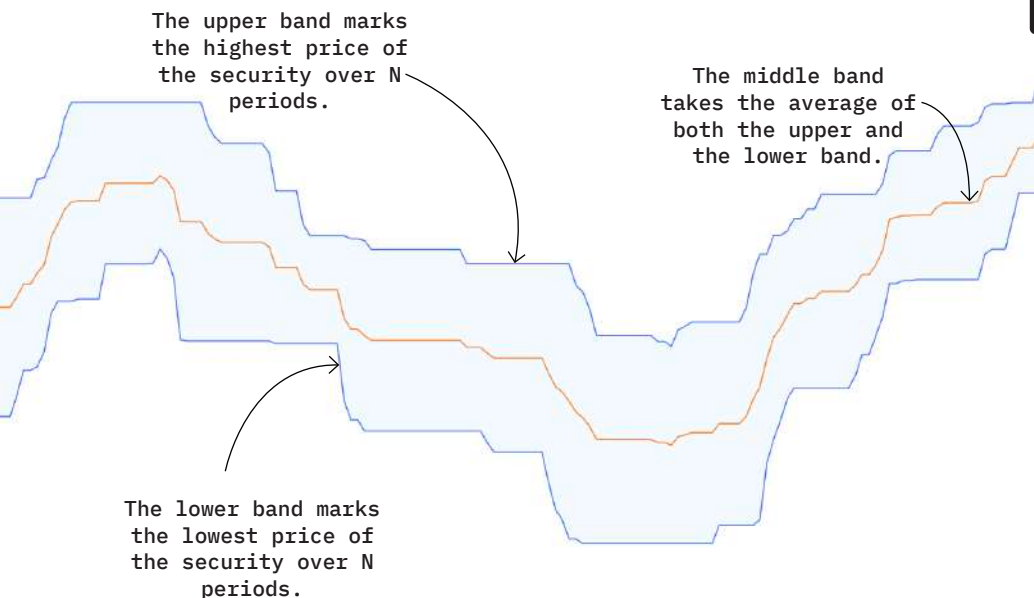
One such indicator-based strategy is taking trades at the pullback on the **Donchian Channel**.



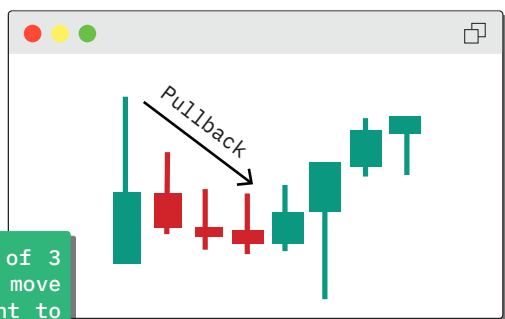
Richard Donchian

Donchian channel is a technical indicator developed by futures trader Richard Donchian in the mid-20th century. He developed this indicator to identify trends. The Donchian channel consists of three bands, upper, lower, and middle.





When I started using the Donchian channel, my aim was to trade the highs and troughs of the market and make profits. However, I dug deep into the technicalities of the indicator to understand how it performs under various market conditions.



I observed that a pullback of 3 to 4 candles before a sharp move for the breakout is important to confirm the trade.

Furthermore, I tested this strategy on almost all timeframes to see how successful it can be. After backtesting for of 6 months, I understood that this can work on almost every time horizon but a pullback is needed.



THE STRATEGY

This strategy is deployed when the primary trend is about to exhaust and a short-term correction can be observed through the price patterns.



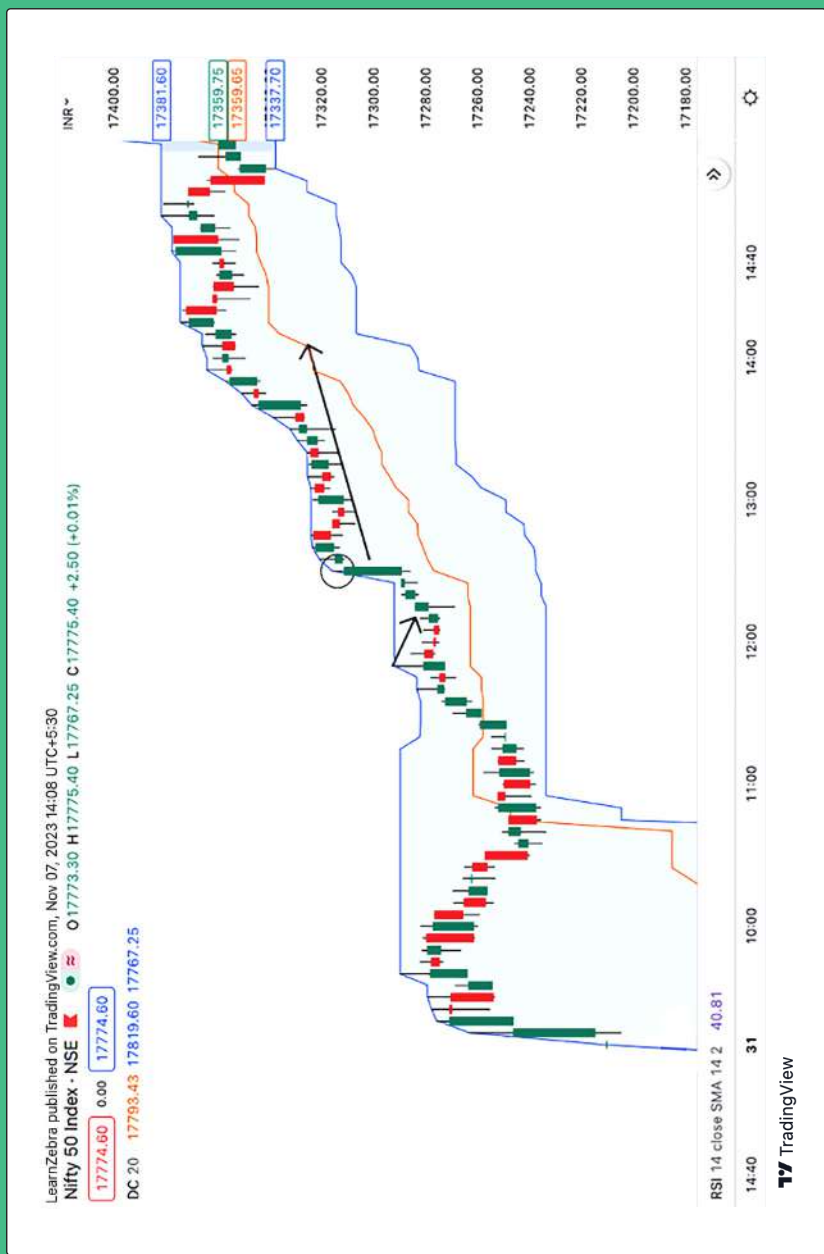
TradingView

For example, if the price touches the upper band, takes a pullback, and then hit the upper band again, it is time to buy the security.



The limitation of this strategy is that you have to wait until the price takes a pullback. When the price makes explosive moves, it is likely that you might miss the trade as the price would move away from the pullback area. As a result, you are likely to get limited trading opportunities.

> THE EXECUTION



TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to your preferred timeframe.

Apply Donchian Channel with default settings.

Let the price touch the upper band and take a pullback.

The pullback should be followed by a rise in the price and a breaking of the upper band.

Once this pattern is spotted, the **BUY** trade is triggered.

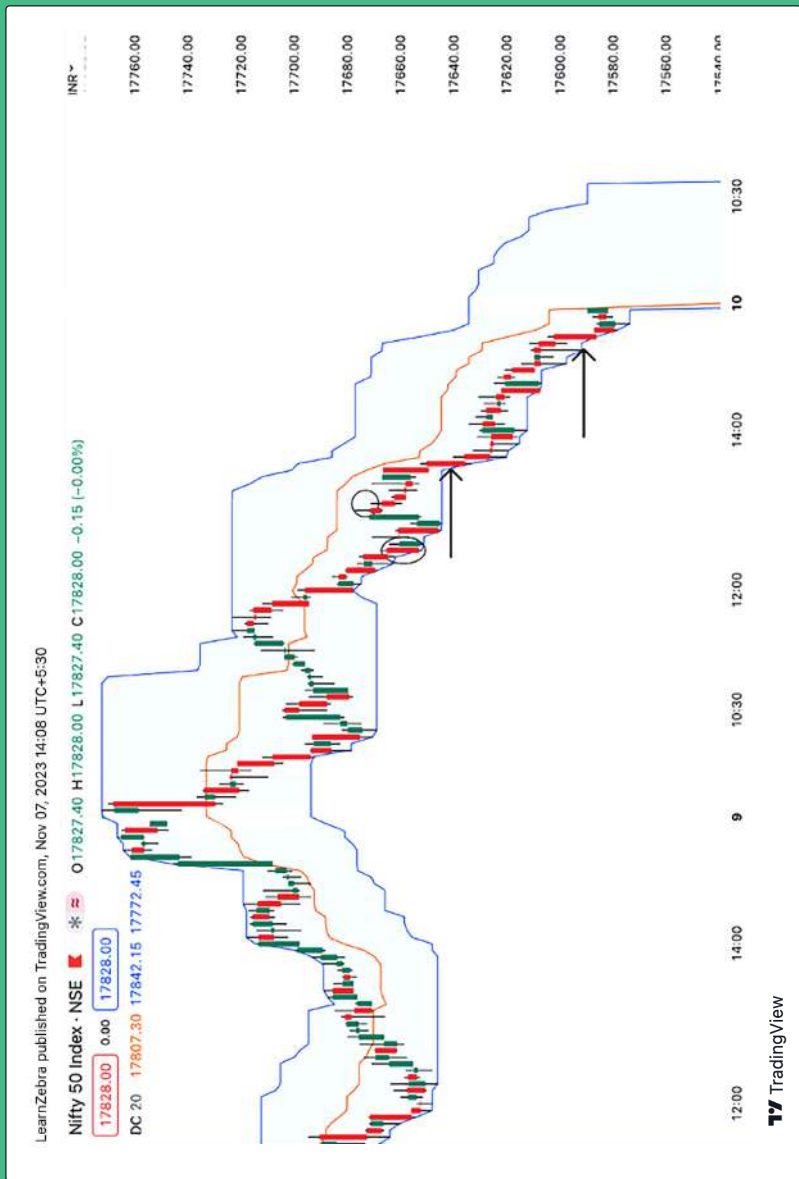
Place **STOPLOSS** below the middle band: trail the SL to the first candle's low when the market makes two bullish candles in a row.

TARGET is typically 1:2 Risk to Reward ratio.

Note that in the above example, Nifty 50 touched the upper band at 11:45 p.m. followed by a pullback. The price then again touched the upper band and started to move up. This is the time we entered the trade. The stoploss was at the middle band, and typically, we booked a profit with a 1:2 Risk: Reward ratio. Also, if you tweak the execution a bit. I.e. trailing the stoploss till the breakout candle's low after the price makes two bullish candles, you will get a whopping Risk to Reward ratio of 1:4.



> TO SELL





TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to your preferred timeframe.

Apply Donchian Channel with default settings.

Let the price touch the lower band and take a pullback.

The pullback should be followed by a fall in the price and a breaking of the lower band.

Once this pattern is spotted, the **SELL** trade is triggered.

Place **STOPLOSS** above the middle band: trail the SL to the first candle's high when the market makes two bullish candles in a row.

TARGET is typically 1:2 Risk to Reward ratio.

In the above image, the market is in a downtrend, and on 9th March 2023 at 12:30 p.m., the price touched the lower band followed by a pullback till the middle band indicated the sell signal. Once the price touched the lower band again, we entered the trade. The stoploss was above the middle band. To increase the Risk to Reward ratio, the stoploss could be trailed till the first breakdown candle's high when the price formed to bearish candles in a row. This strategy of trailing the stoploss can reduce risk and provide a great trade opportunity.



3.7

GANN FAN

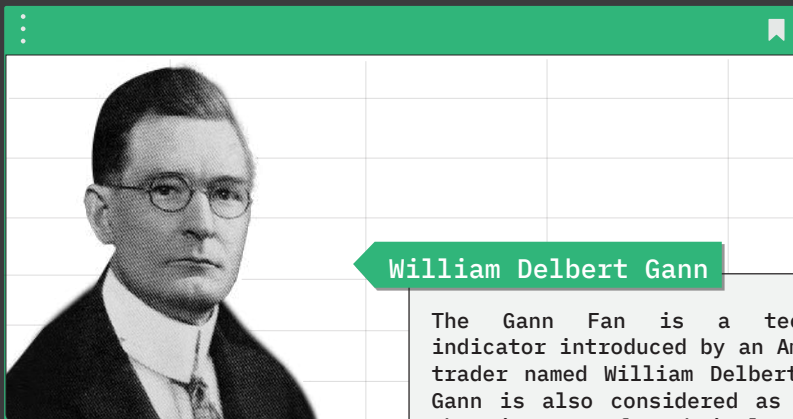


Strategy video

In this chapter, the indicators I am going to use can be new to a majority of you so do pay attention. *The strategy I am going to talk about requires the use of Gann Fan and the Linear Regression line.* Don't worry, I will explain what these indicators are and what they do before explaining the strategy.

So let us get started.

GANN FAN AND THE LINEAR REGRESSION LINE

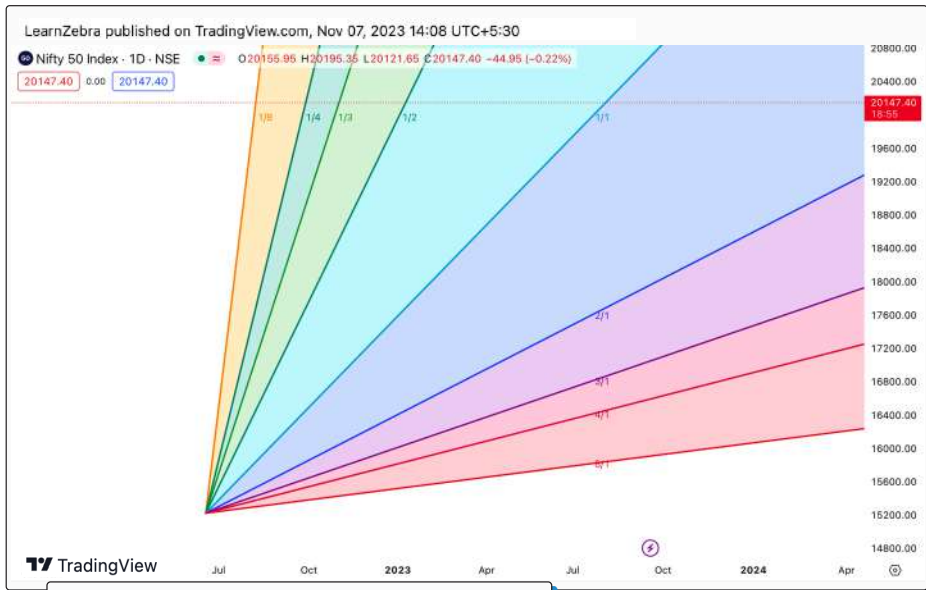


William Delbert Gann

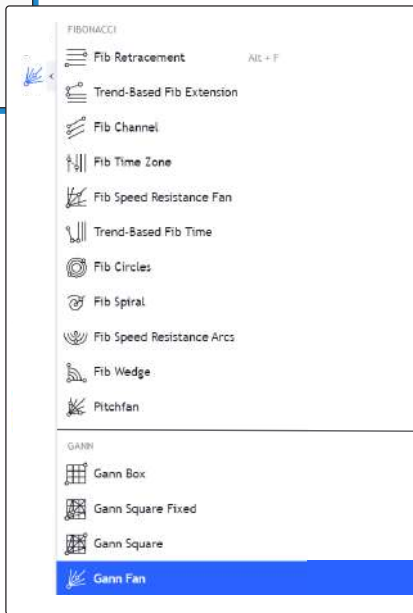
The Gann Fan is a technical indicator introduced by an American trader named William Delbert Gann. Gann is also considered as one of the pioneers of technical analysis because of his contribution in this field.

Gann has always been a controversial figure because he believed that the financial markets followed natural laws. His works mainly involved making technical tools based on mathematics, geometry, and astrology.

The Gann Fan, in simple words, is essentially a set of lines drawn on a price chart from one price leg to another. These lines are named as 1x1, 1x2, 1x4, 2x1, 3x1, 4x1, etc.



These lines represent the dynamic support and resistance on the price chart. I use this indicator to identify potential price targets, stoploss levels and also for spotting trend reversals.



We will also be using the Linear Regression Line. The Linear Regression Line helps us in identifying the mean of the current price leg.

LinReg 100 close 2 2



Meaning, a 20-period Linear Regression line will equal the ending value of a Linear Regression line that follows 20 candlesticks. This way, it becomes easy to draw the Gann Fan accurately with the help of the Linear Regression Line.

So now that you are familiar with these two indicators, let us look at the trading strategy.

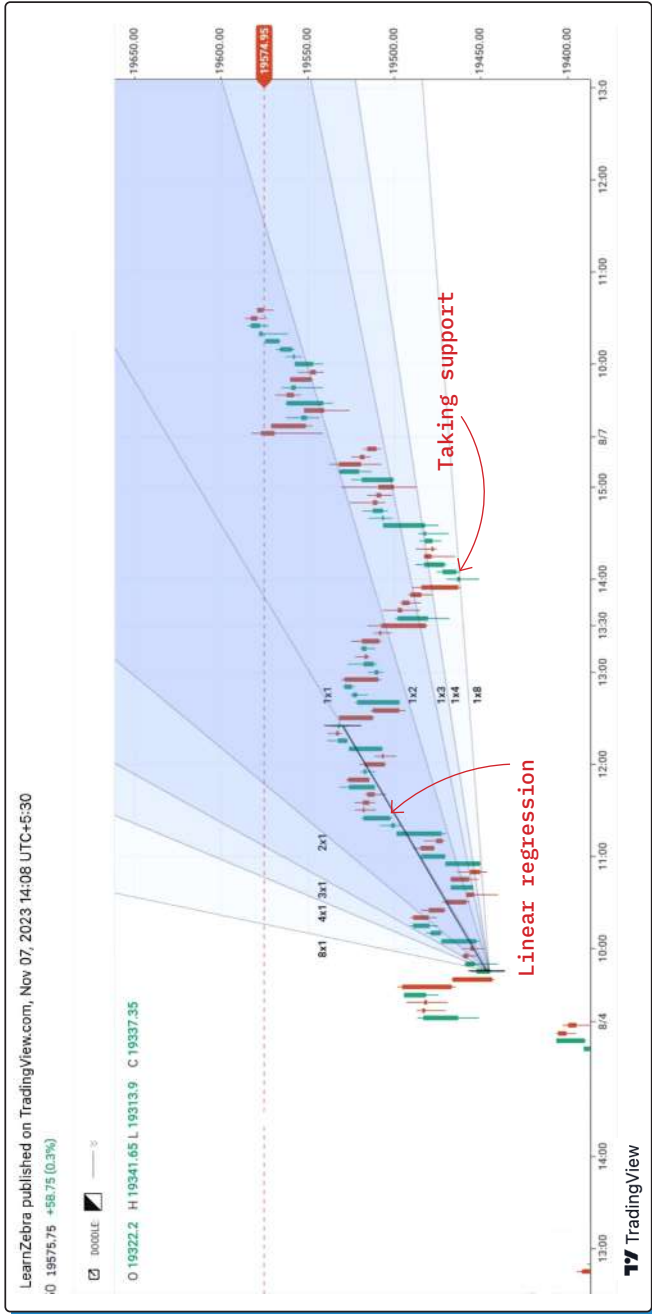
TRADING WITH THE GANN FAN

You can use the Gann Fan on any intraday time frame. Here are the 3 steps.

STEP 1: Look for a price swing. If the market is in an uptrend, use the Linear Regression line from the bottom of the price leg to top and vice versa in a downtrend. Another thing to remember is, if you are not using the Linear Regression line properly, you will know it as the indicator won't calculate its value till you have chosen a proper price leg.

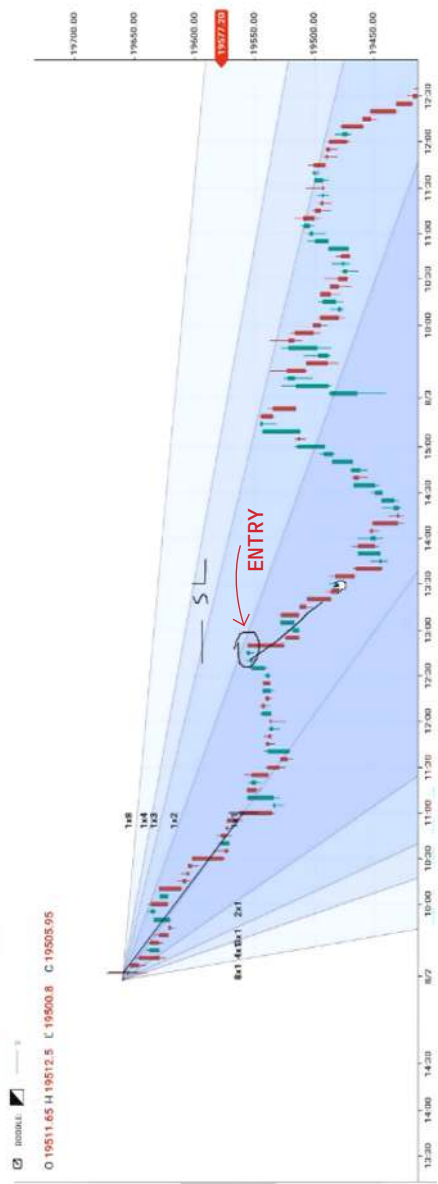
STEP 2: Once you know the mean value, plot the Gann Fan on the same price leg.

STEP 3: In case if the trend is up, buy whenever you see the price taking support from one of the Gann Fan's levels and sell if the price is in a downtrend and you see it taking resistance from the Gann Fan's levels.



You will understand it better with some examples. So, let me discuss some examples of this setup with you.

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30
 NIFTY 50 19577.40 +60.40 (0.31%)



TradingView

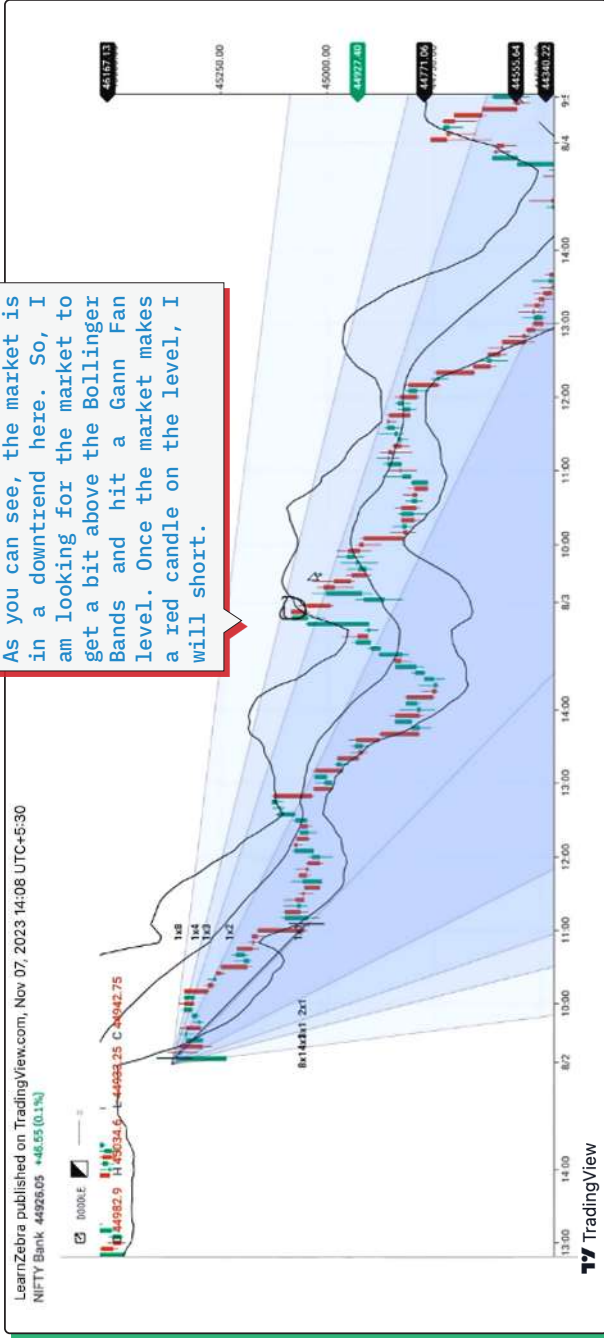
As you can see in the above image, after identifying the price leg, the Gann Fan projects its levels.

I can short the market when the price is taking resistance on 1x2 level and put the stoploss on the Gann Fan's level. In this case, I will put my SL on the 1x3 line. This way, I can easily have a 1:3 risk to reward ratio while using this setup.

You can even use Bollinger Bands to make this setup more effective.

Let me show you one example with Bollinger Bands.

I am using Bollinger Bands on its default setting. Traders usually sell the market whenever the price is higher than the Bollinger Bands and buy when the price is lower than the Bollinger Bands.



NOTE

This setup is more effective when the upper band (in a downtrend) and the Gann Fan's level is similar. You can short once the market starts showing weakness. (a red candle). You can buy the market whenever the lower band and the Gann Fan's support level are similar.



CONCLUSION

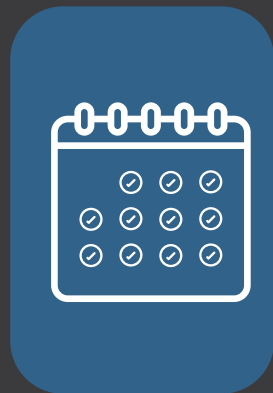
The Gann Fan is an effective technical tool in finding dynamic support and resistance levels in a price chart. When combined with the Linear Regression Line and Bollinger Bands, it can give you a systematic approach leverage with market trend.

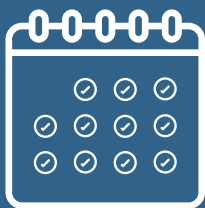
Notes



CHAPTER 4

POSITIONAL STRATEGY





- 4.1 Moving with Macro trends
- 4.2 Supertrend with RSI
- 4.3 Sectoral Analysis: A powerful way to trade the markets.
- 4.4 M & W Positional trading strategy using RSI





Indicators



Alert

Replay



4.1

MOVING WITH MACRO TRENDS



Strategy video

One day, before starting my journey as a full-time trader, I sat with my stock market Guru and asked him to advise me. He took a moment, looked up at the sky and said,

Guruji

"Can you see anything above there?"

Aseem

"Nothing but a clean sky."

Guruji

"This blue sky is looking clean when observed from the Earth, but as you zoom in and try to see beyond Earth, you will find celestial bodies, comets, other planets, etc. and those are nothing but noise."

Aseem

"But Guruji, how is it related to the stock market?"

Guruji

"I am trying to infer a connection between the stock market and the sky by telling you that things looked from a macro perspective carry less noise, and if you really want to start your career in trading, do not get into the complexities. Rather, start observing the market from a macro level and trade accordingly".

This food for thought by Guruji made me go into self-reflection mode. I sat and realised, I cannot trade the daily markets and handle fluctuations if I do not understand the macro perspective of the market.



T





"How can I trade the market ignoring the daily noise?", I stumbled upon this and started researching trading styles. I then found a trading style where you keep trades open for several weeks to months. This trading style is called **"Positional trading"**.



Positional trader



Other traders

With positional trading, you get to trade the primary trend of the market. Since it is positional trading, you don't have to rush to your computer screen every time a news pops up. There is less or very negligible screen time involved with positional trading.

As a novice, I looked for different technical indicators to use in my positional trades but none of them worked fine. The only tool I was left with was marking the daily highs and lows of the asset I want to trade. When done manually, it can be a demanding task, and you will get frustrated doing it daily. I called my Guruji to ask,

Aseem

"Guruji which indicator should I use?"

Guruji

"There is only one indicator which can help you mark crucial points of the asset, and that is the "pivot points".

I rushed to my computer, opened the charting software and applied the pivot point indicator. By then, it was clear to me that this would assist me in trading the markets. For 3 straight months, I back-tested the pivot points on different stocks and found decent results.

THE STRATEGY

With the mindset of helping novice traders, I am introducing my positional trading strategy here. The idea behind this strategy is to catch market swings exactly from the pivot points on the daily timeframe.

For positional trades, we can either go in cash or trade in futures. The only limitation with cash trades is that you cannot short-sell any asset, you can only build a long position. With the futures segment, you can also short-sell the asset. I.e. first sell then buy.

In this strategy, we will look for a stock to be near the pivot points.

If the stock is near the resistance, we can look for a bearish formation and take a short-side trade.





Similarly, when the stock is near the support, we can look for the price to turn bullish and take a long trade.

The probability of profits increases when the trades are taken on small corrections in the primary trend. For example, if the primary trend is downtrend, look for a correction in the price to hover near the resistance area. Similarly, when the price is in uptrend, look for a pullback at the support area.



TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart to a daily timeframe.

Apply pivot points standard with pivot point and S1/S2 and R1/R2.

Look for an uptrend.

Wait for the price to take support on P, S1 or S2.

Wait for a bullish candle to form.

BUY above the high of the confirming candle.

Place **STOPLOSS** below the support area.

TARGET at the next pivot point or trail till you get a Risk to Reward ratio of 1:2.

In the above example, Nifty 50 was making lower lows but soon price saw a change of structure and started to move upside. At the very first pullback, it was clear that the market had turned bullish and it was time to wait for the price to take support on any of the support lines. On 18th July 2022, the market formed a Bullish Doji candle confirming an uptrend from the S1, we entered the trade keeping the stoploss just below the 15,915 level with target 1 at the 16,654 level and target 2 at the 17,717 level. The trade ran for almost a month and gave decent profit.





TO SELL USING THIS STRATEGY, DO THE FOLLOWING THINGS:

Set the chart to a daily timeframe.

Apply pivot points standard with Pivot point and S1/S2 and R1/R2.

Look for a downtrend.

Wait for the price to face resistance on P, R1 or R2.

Wait for a bearish candle to form.

SELL below the low of the confirming candle.

STOPLOSS above the resistance area.

TARGET at the next pivot point or trail till you get a Risk to Reward ratio of 1:2.

From the above illustration, it is evident that this strategy works magic when used with a proper set of rules. As discussed, our entry point is triggered when the market faces resistance at either P or resistance areas. On 14th December 2022, Banknifty made it's high and then starts to go downward. But, our entry is triggered exactly near the pivot points when the price took a pullback around the 42,902 level. As soon as the market made a bearish candle around the Pivot point, our entry is triggered and you can see that we got both our targets hit in just two days.





4.2

SUPERTREND WITH RSI



Strategy video

The nightmare of positional traders is unprecedented whipsaws. When they leave their positions overnight, they fear the market because any global event can impact their positions. Now, what a positional trader wants? Volatility in their favour, I would say. I have seen a lot of traders closing their trades in the middle when an event is about to happen.

I have seen traders booking 50% losses due to fear and then regretting when the market pivoted after hitting their stoploss and reaching their target. This usually happens when their confluences are contradictory or they randomly take a trade. ***With positional trades, you have to trust your strategies and wait until the market moves in a favourable direction. If a stoploss hit, it is okay to exit with a small loss.***

Whipsaws describe sudden spikes in price. These are explosive moves when the price suddenly falls below and then goes back to its original price level in no time, or when the price rises to a level and then suddenly falls to its original price. There is no set of rules for managing whipsaws during a volatile trading session. You can only resort to putting stoploss when the market starts trading against you.

The most important psychological trait of a positional trader is to be composed when the market becomes volatile.

Whipsaw



From my experience in the market, I have observed markets with two indicators - *RSI and Supertrend*. *RSI helps in knowing the market strength and Supertrend helps in knowing the market trend.*

It was the first week of March 2020, covid-19 pandemic was the talk of the town. Schools and offices were asked to shut their operations for one day, called the "Janta Curfew". This was the day when we were not allowed to go outside our houses. Everyone started to fear because casualties due to covid-19 were on a roll. When the world panics, it becomes visible on the chart: sluggish up moves by the market, high VIX, and big players liquidating their positions. When I saw the open interest in the Nifty 50 index, it was clear that the market might fall at any time. 6 months later when we were completely locked in our homes, which was just a beginning.



I decided to do some positional trading. So, I started looking for some stocks and one stock caught my attention - Kotak Mahindra Bank.



On March 12 2020, the Kotak stock opened gap down and started to plummet to the 1005 price level. 8 months after that it was completely range-bound. What's more important to notice is, when the price was in a consolidation, the RSI didn't move beyond the range of 40-60. Due to this, Supertrend was generating false signals. When I observed this pattern, I was curious to know how market would behave if the RSI go beyond 40-60 level. Since its a bigger timeframe, the market is not much noisy, and we can trust the market moves.

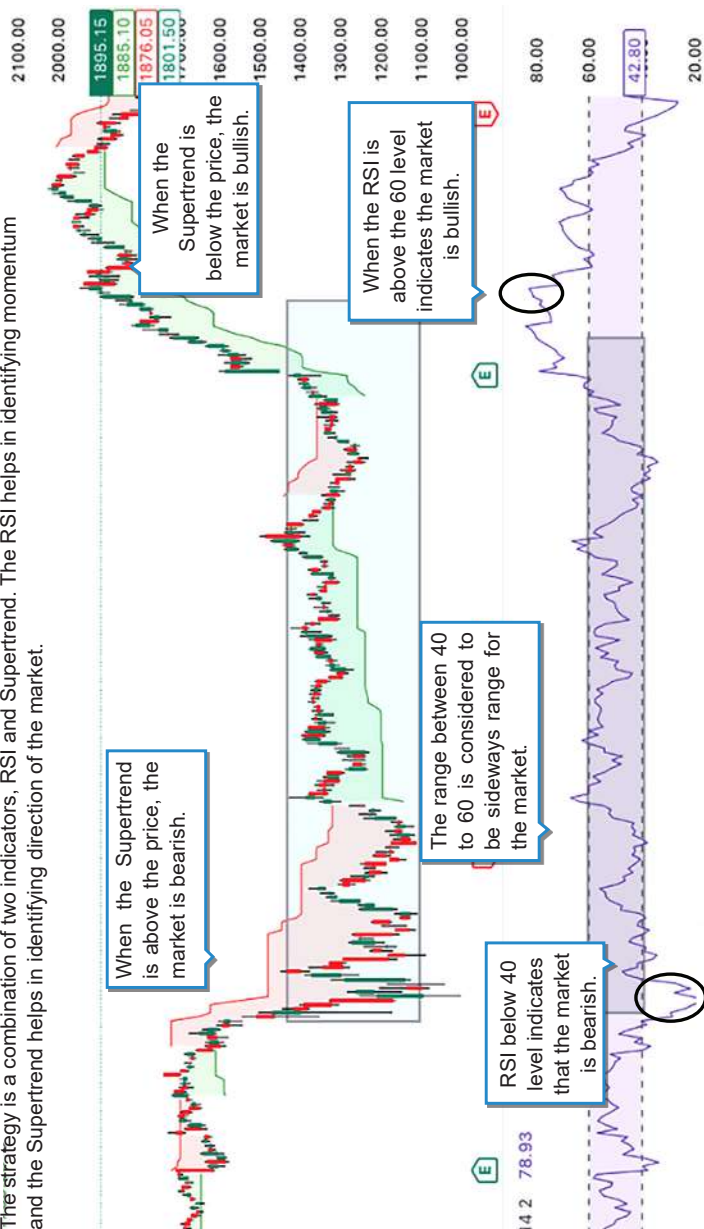


On 27 Oct 2020, Kotak Mahindra Bank had a breakout on the upside. With the breakout in price, we can see that the RSI moved beyond the 60 level and the Supertrend gave a bullish signal. The unconventional approach of the RSI states that if the RSI is below 40, the market is bearish, if the market is in the range of 40-60, the market is sideways, and when the market is above the 60 level, is bullish.

After testing out the RSI and Supertrend combination on different stocks, I began to backtest it thoroughly to get an edge over the strategy. The idea behind the combination of RSI and Supertrend is to get good positional trades and avoid getting false signals of an individual technical indicator.

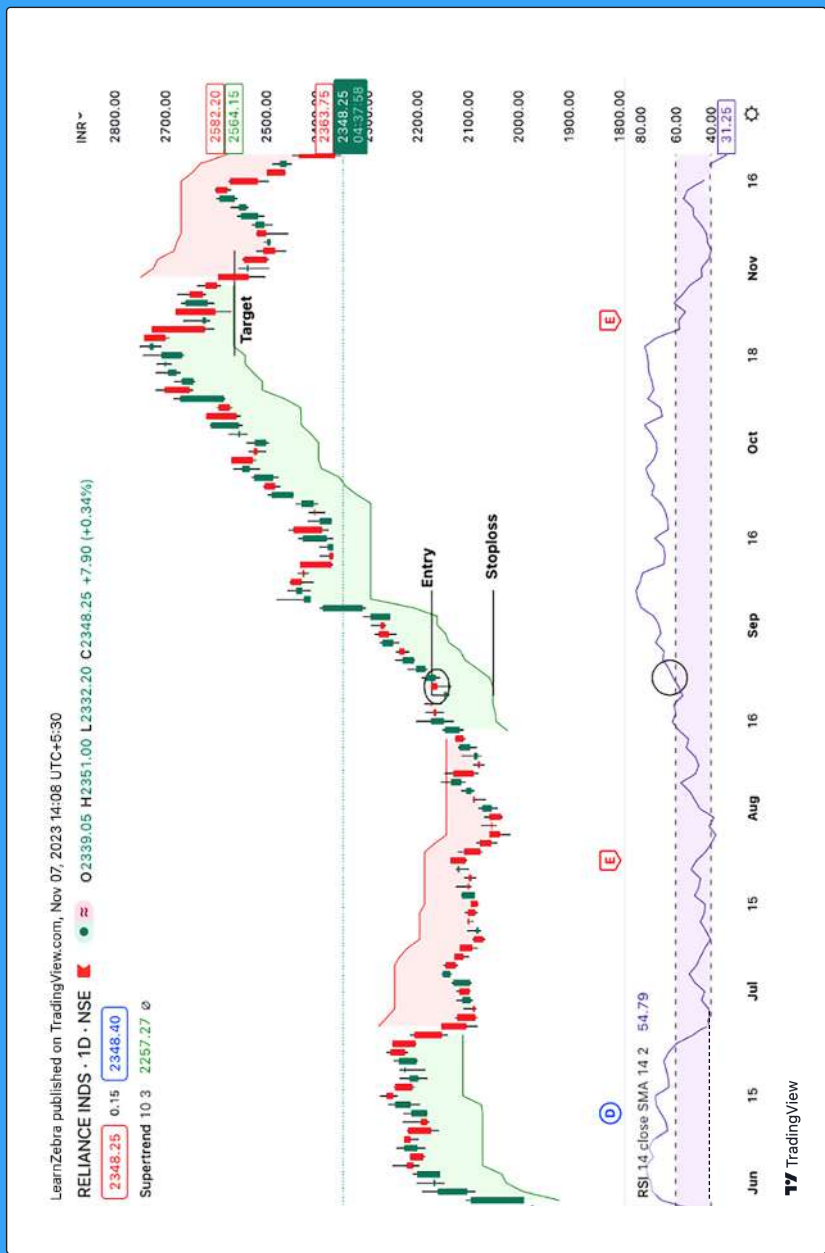
THE STRATEGY

The strategy is a combination of two indicators, RSI and Supertrend. The RSI helps in identifying momentum and the Supertrend helps in identifying direction of the market.



With this strategy, we will look for positional trades that will run for a few weeks or a month. Also, if you want to execute a short trade with this strategy, it can only be possible in the derivatives segment: the cash market does not allow you to create a short position.

THE EXECUTION



TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Prepare a watchlist of stocks.

Use RSI and Supertrend to filter out stocks.

Look for stocks where the RSI is moving towards the 60 level and the Supertrend is turning bullish.

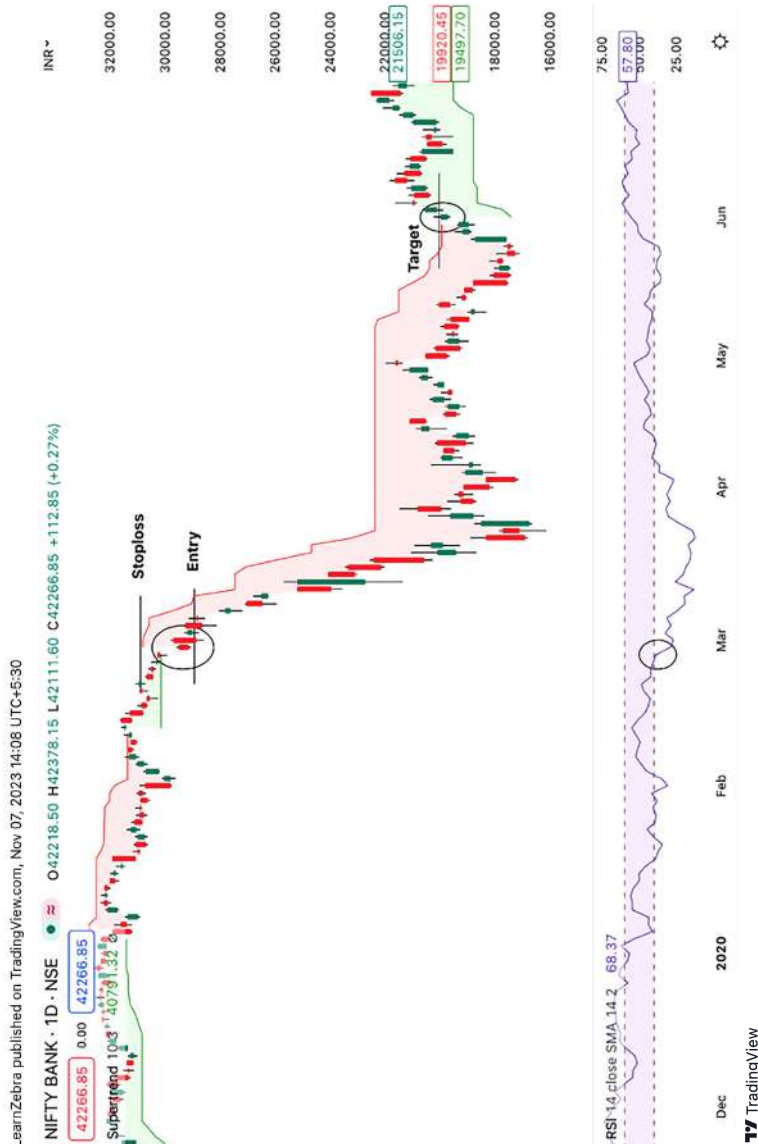
If the price stays above Supertrend and the RSI crosses the 60 level, the **BUY** entry is triggered.

Place **STOPLOSS** at the swing low, keep trailing it at the Supertrend level.

TARGET is on a trailing basis- exit when the price closes below Supertrend.

On 24th August 2021, Reliance Industries broke its sideways range and made a bullish candle. The RSI crossed the 60 level from below and the Supertrend turned bullish. These confluences confirmed that the market was heading towards the upside and the rally was about to begin. The buy entry triggered at the high of the green candle and the initial stoploss was at the Supertrend. We kept trailing it and exited when the price closed below the Supertrend. With this strategy, we booked a profit of 3x the stoploss (1:3 Risk to Reward ratio).

> TO SELL



TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Prepare a watchlist of stocks.

Use RSI and Supertrend to filter out stocks.

Look for stocks where the RSI is moving towards the 40 level and the supertrend is turning bearish.

If the price stays below Supertrend and the RSI crosses the 40 level, the **SELL** entry is triggered.

Place **STOPLOSS** at the swing high, keep trailing it at the Supertrend level.

TARGET is on a trailing basis- exit when the price closes above Supertrend.

You can only create a short position in the derivatives segment. I.e. stock/index F&O.

On 28th February 2020, BankNifty broke its consolidation range and made a bearish candle. With this, the Supertrend turned bearish and the RSI went below the 40 level. These confluences confirmed a selling trade. With this strategy, we entered the trade on 28th February 2020 and exited on 1st June 2020. The profit booked was almost 1:4 Risk to Reward ratio.

4.3

SECTORAL ANALYSIS : A POWERFUL WAY TO TRADE THE MARKETS



Strategy video

This chapter talks about the importance of Sectoral Analysis and how it is a powerful tool for trading the capital markets. *We will also talk about a positional trading strategy which will help you in identifying stocks in less than 15 minutes!* Sounds interesting, right?

But first let's understand Sectoral Analysis and its significance in the capital markets.

Outperforming sectors

INTRODUCTION

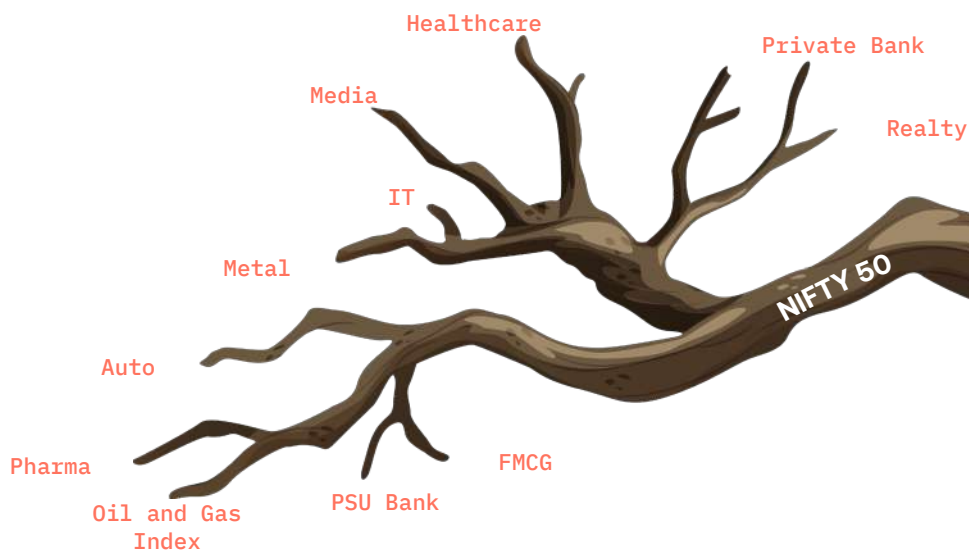
A nation's economy is just like a flower. Just like a group of petals make a flower a group of sectors make an economy. Now, some of these sectors may be performing well while some not so well. As a positional trader, you always have to buy stocks from the sectors that are outperforming other sectors of the economy.

Sectoral Analysis requires evaluating and analyzing different sectors within the market to identify market trends and trading opportunities. This type of analysis plays a vital role in the capital markets. It helps you make better trading decisions as you understand and analyze different sectors of the market.

Underperforming sectors

Some of the sectors categorized based on industries are - technology, healthcare, energy, FMCG, finance, etc.

Each of the above sector includes a group of companies that have a familiar field of operations. This is why it is crucial to know about different sectors in the market as each sector has different performance pattern and they might react differently to market conditions.



Some of the factors that can have an impact on a sector's performance include, economic conditions, government policies, geopolitical updates, technological advancements and consumer behavior.



DIFFERENT APPROACHES IN SECTORAL ANALYSIS

There are mainly 3 different approaches market participants use when they are analyzing sectors. They are -

1 Fundamental analysis of Sectors

2 Macro-Economic analysis of Sectors

3 Technical analysis of Sectors

1 Fundamental analysis of Sectors

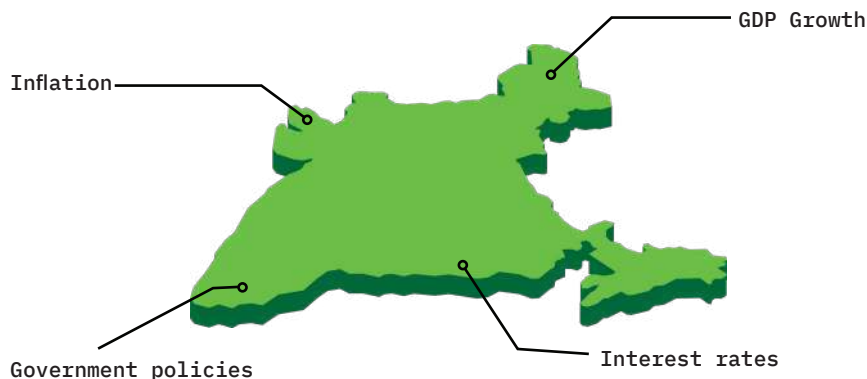
Fundamental analysis of sector requires a person to evaluate the financial health and performance of companies within a specific sector or industry. An investor using this approach mainly deals with factors such as revenue growth, earnings, profitability, competitive position and market share of a company. The list also includes financial statements, industry reports and company related news to analyze the overall strength of a specific sector.





② Macro-Economic analysis of Sectors

Macro-Economic analysis requires an investor to consider broader economic factors such as GDP growth, inflation within a particular economy, interest rates and government policies. Investors using this approach have to assess all these macro-economic factors and adjust their strategies depending on the impacts they can have on a particular sector.



③ Technical analysis of Sectors

Technical analysis of a sector involves a trader studying price and volume data to identify various price patterns, trends and support and resistance levels in a particular stock.

Traders using this approach deal with charts, technical indicators and oscillators to analyze historical price movements to make predictions about the future price movement within a particular industry or a sector.

Now that you are familiar with the concept of Sectoral Analysis, let's talk about the positional trading strategy involving Sectoral Analysis.

SECTORAL ANALYSIS + RELATIVE STRENGTH

For this particular strategy, we are going to use a technical indicator named “Relative Strength”. You can easily find this indicator on any charting software. After applying this indicator, your chart will look like the image below if you are using Trading View.



This is an example comparing Nifty Auto with Nifty 50.

Now, you can execute this very simple yet highly effective positional trading strategy in 2 easy steps –

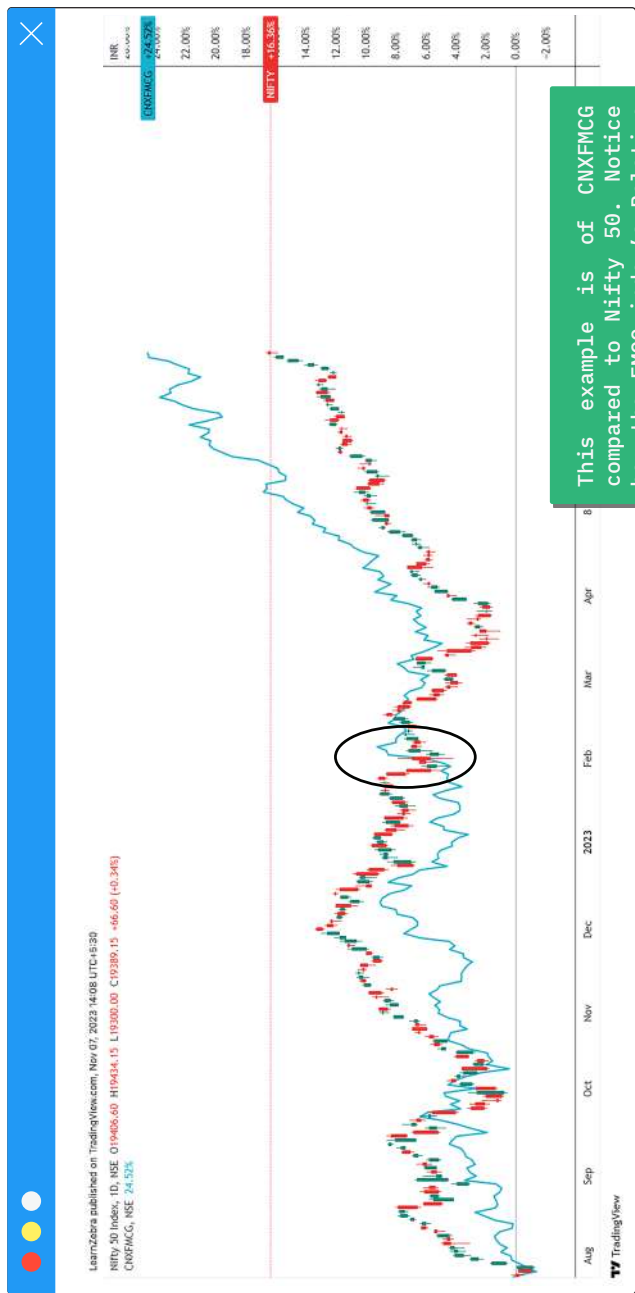
① SELECTING THE SECTOR

② SELECTING THE STOCK

① SELECTING THE SECTOR

Select any random Nifty index and compare it with the Nifty 50. We have already talked about how you can do that but here's a reminder. Just go on your charting website and search for Relative Strength or Right Click on any index on your watchlist and select “Compare to Nifty 50” option.

Now that you have selected a Nifty index and applied the Relative Strength indicator, look at the Relative Strength. The moment this indicator crosses above the Nifty 50 price we are going to choose a stock from that index. I know this might be confusing so let's take an example.





② SELECTING THE STOCK



19,425.35 ▲
30.05 (0.15%)
10-Nov-2023

Nifty50

USDINR Futures
10-Nov-2023 | ₹83.3425
10-Nov-2023

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Sectoral Indices

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Thematic Indices

Sectoral Indices

Nifty Auto Index

Nifty Bank Index

Nifty Financial Services Index

Nifty Financial Services 25/50 Index

Nifty Financial Services Ex-Bank Index

Nifty FMCG Index

Nifty Healthcare Index

Nifty IT Index

Nifty Media Index

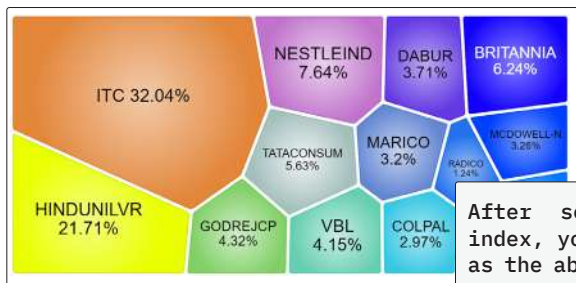
Nifty Metal Index

Nifty Pharma Index

Nifty Private Bank Index

Nifty PSU Bank Index

Go to the NSE's website and search for sector indices. Continuing from the above example, let's click on the Nifty FMCG index and look for the stock which has the maximum weightage in this index.



After selecting the Nifty FMCG index, you will see a similar image as the above. Now that you know that ITC has 32.04% weightage or the highest weightage in the Nifty FMCG index, go to your charting software and search for the particular stock and buy the same.

In the above example, the Nifty FMCG index had already crossed above the Nifty 50 and we could've bought the stock 4-5 months ago. You just have to use the same procedure and constantly compare multiple sector indices with Nifty 50 and upon seeing a familiar setup, buy the stock which has the highest weightage in that particular sector.

CONCLUSION

Combining Relative Strength with Sectoral Analysis can be a very powerful positional trading strategy. By comparing different sector indices with a benchmark index like Nifty 50, you can identify stocks from sectors that have the potential to outperform the benchmark index.



4.4

M & W POSITIONAL TRADING STRATEGY USING RSI



Strategy video

The strategy I will talk about now only involves the use of RSI (Relative Strength Indicator). Like every other strategy in this book, M&W positional trading strategy is so simple that it can be executed easily.

This chapter explains a simple yet effective approach to positional trading strategy.

POSITIONAL TRADING AND RSI

Positional trading involves taking trades and holding them for weeks or months.

> BUY



> SELL

Unlike day traders, positional traders have more time and this type of trading is relatively easier than intraday. In this strategy, I am going to teach you how to use M&W patterns formed on the RSI indicator and take trades on the basis of it.



RSI 14 close SMA 14 2



EXPLAINING THE M&W POSITIONAL TRADING WITH RSI



The very core of this strategy is to look for M and W formations on the RSI indicator (These M and W structures may not necessarily form on the price chart). Generally, traders buy when they see a W like structure on the price chart and sell after the price of a stock makes an M like structure, but here we are looking at the RSI's M and W structure.



Here are 5 additional things to know when executing this strategy –

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

RELIANCE INDS · 1D · NSE O2136.60 H2152.40 L2118.95 C2138.95 +3.70 (+0.17%)

2468.35 -0.00 2468.35



TradingView

1

I am using the 14-period RSI and looking for RSI to give overbought (above 70) or oversold levels (below 30).

(You can also use 60-40 method but the accuracy of this setup might get affected.)

2

I am going to sell the stock when the RSI goes above the 70 levels and comes back (below the 70) while forming an M type structure.



3

Conversely, I am going to buy the stock when the RSI goes below the 30 levels and bounce back (above the 30) while forming a W type structure.

5

I am going to book profits when the RSI reaches the opposite overbought/oversold levels. 30 in the case of a bearish trade and 70 in the case of a bullish trade.

4

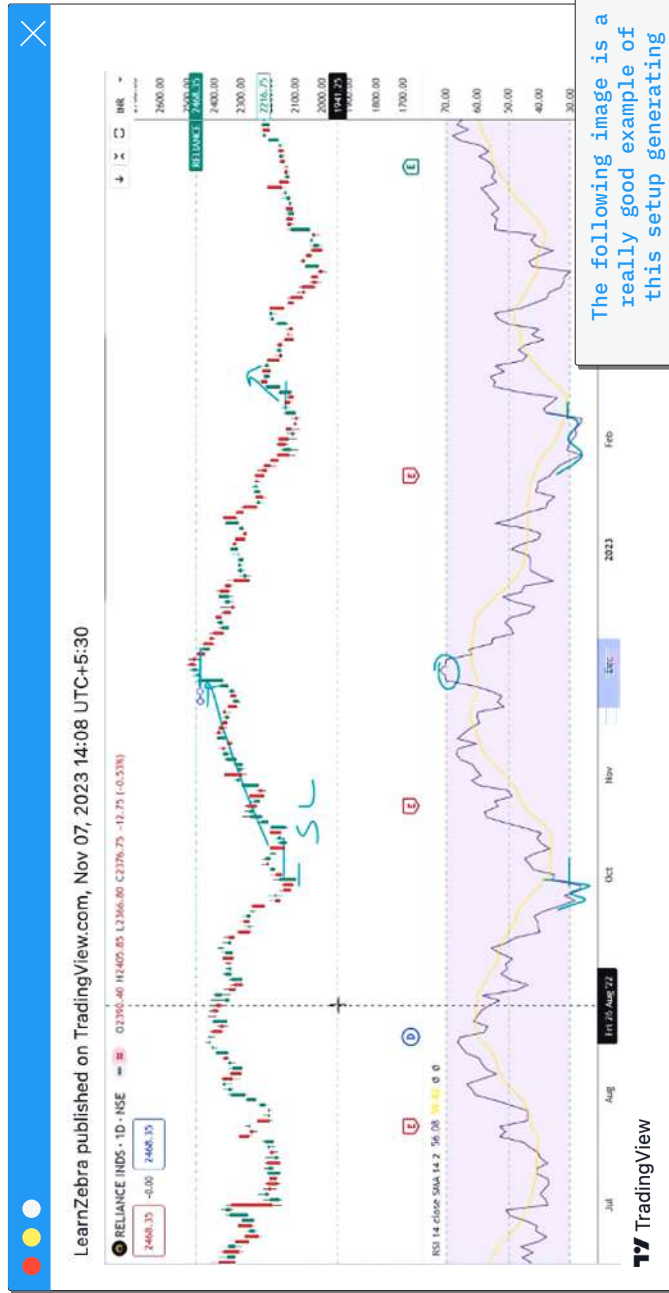
The stoploss will be close to the nearest price swing near the entry point.



You can also try trailing your stoploss once the stock starts turning in your favor. This will help you in maximizing your returns while minimizing your risk.

This strategy helps you in identifying potential trend reversals to catch big trades by using simple pattern analysis on the longer timeframe. I recommend using this strategy on a daily timeframe.

Let us look at how this actually works.

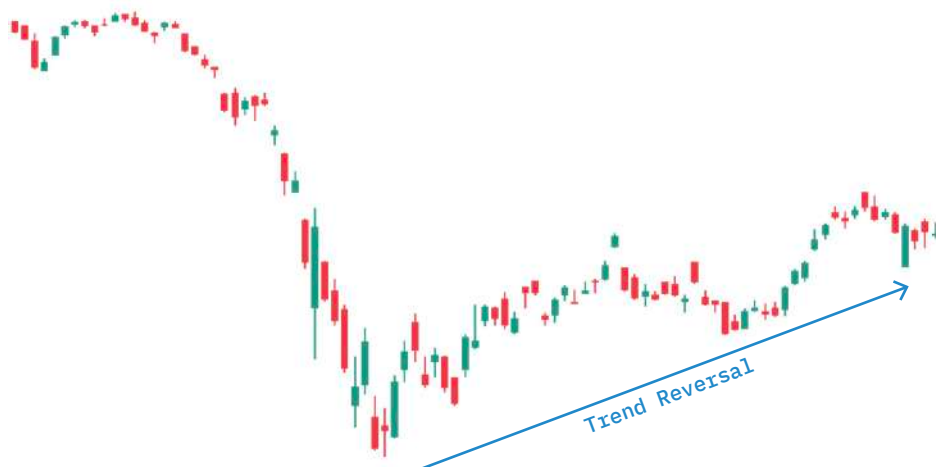


Notice how the RSI makes a W like structure. I will buy the stock when the RSI makes the W like structure and re-enters above the 30 level.

A little way down the line, this setup generates a bearish trading signal when the RSI comes below the 70 levels by making a M like structure.

CONCLUSION

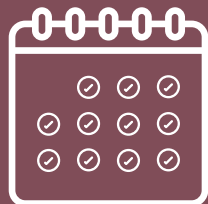
In conclusion, the M&W positional trading strategy with the Relative Strength Indicator offers a direct and effective approach for holding stocks for a longer period of time. This strategy leverages RSI's ability to identify overbought and oversold conditions in order to find potential reversals.

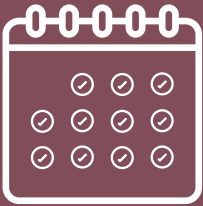


The trading signals can take longer to generate as we are using the daily timeframe. But by waiting patiently, you can potentially catch significant trend reversals using this strategy. *It is also important to remember that no trading strategy is foolproof and you, as a trader, should always use effective risk management techniques.*

CHAPTER 5

SCALPING





- 5.1 3-minute scalp trading strategy using Parabolic SAR, RSI, and Hieken Ashi
- 5.2 RSI Divergence + Bollinger Bands Scalping Strategy
- 5.3 Scalp trading with RSI and VWAP
- 5.4 Scalping 1 Minute Consolidation Breakouts
- 5.5 Moving Average Scalping Strategy
- 5.6 Martingale system





Indicators



Alert



Replay



ZEBRALEARN



5.1

3-MINUTE SCALP TRADING STRATEGY USING PARABOLIC SAR, RSI, AND HIEKEN ASHI



Strategy video

The fractal nature of the market gives a plethora of trading opportunities to traders as per their time horizon.

While some traders prefer to steer clear from the volatile market and prefer swing trading, some traders like volatility and go for scalping. Every trader has a preferred trading style and a unique approach to the financial markets.

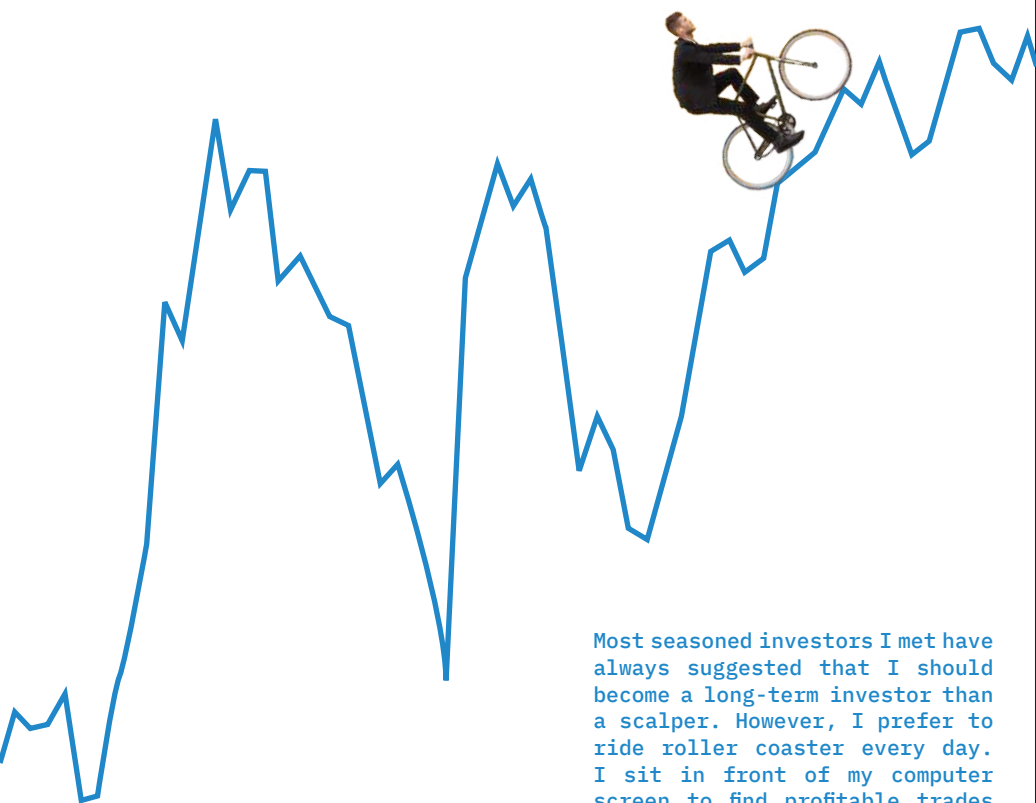


Scalp trading is a style where a trade is opened for a few seconds to a few minutes. This trading style is typically preferred by traders who want to benefit from volatility and go quickly in and out of trades. Scalpers prefer to trade on 1-minute or 3-minute timeframes and often get multiple trading opportunities in a day.

Do not confuse scalp trading with overtrading as here you place multiple trades in a single trading session with a decent Risk to Reward ratio. However, trading without a proper strategy erode your capital.

When I started scalp trading, I was clueless. I didn't know how to do it unless. I observed the market before putting any money at risk and learned it.

The market is noisy on smaller timeframes, but, it is the exact place where scalpers enter the game.



Most seasoned investors I met have always suggested that I should become a long-term investor than a scalper. However, I prefer to ride roller coaster every day. I sit in front of my computer screen to find profitable trades every day.

In hope of making quick money, I even tried a 1-minute timeframe but that didn't suit me and my mental strength.



Not long ago when I was introduced with scalping, I tried and tested few technical indicators to see what was the winning rate and how much was the drawdown. Since these are discretionary trading strategy, manual back-testing and having data points become a demanding task. Therefore, the market observation is important. I switched to Heiken Ashi candlestick pattern: a candlestick pattern that traders use to skim out the noise from the chart.

A Heiken Ashi candlestick with no lower body is a bullish candle



Whereas, a candle with no upper body is considered as bearish candles.



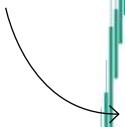
You can find Heiken Ashi candlestick pattern on any charting software. Along with Heiken Ashi candlestick pattern, I used a combination of Parabolic SAR and RSI.

SAR 0.02 0.02 0.2

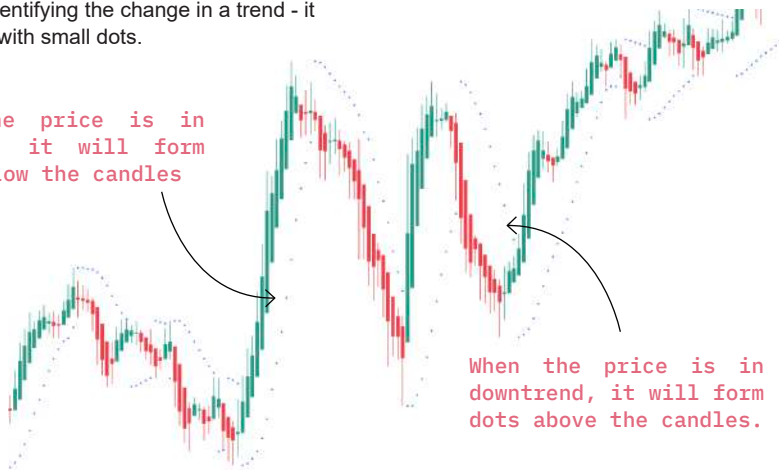
RSI 14 close SMA 14 2

Parabolic SAR is a technical indicator that helps in identifying the change in a trend - it is formed with small dots.

When the price is in uptrend, it will form dots below the candles



When the price is in downtrend, it will form dots above the candles.



The RSI is a technical indicator which oscillates between the range of 0 to 100. The RSI region below 30 is considered as oversold which means with the timeframe selected, the downside move of the market can exhaust. The RSI region above 70 is considered as overbought which indicates the upmove can exhaust and hence the market might take a reversal from this point.

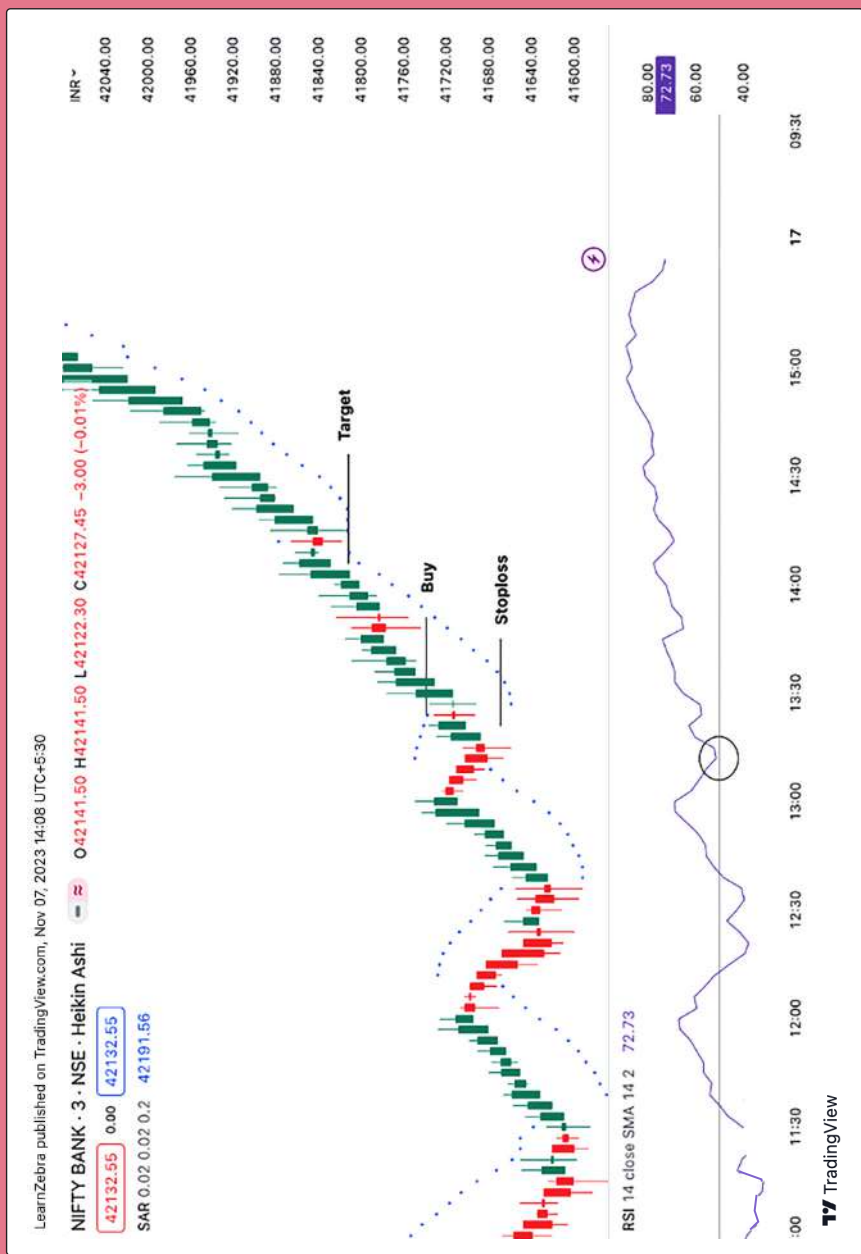
THE STRATEGY

Using this strategy, we try to maximise our profits by having multiple confluences on a 3-minute timeframe chart. We will use the 50 level of RSI as our main trade signal generator. When the price is above the 50 level, it is a buy signal from the RSI. Also, at the same time the Heiken Ashi candles should turn bullish and the Parabolic SAR must be below the candle.



With all these confluences together, we confirm a buy trade and enter the market. Similarly, when the RSI is below the 50 level, Heiken Ashi candles are bearish, and Parabolic SAR is above the candles. With all these confirmations, we confirm a sell trade and enter the market.

> THE EXECUTION



TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart of any security on a 3-minute timeframe.

Apply RSI, Parabolic SAR, and Heiken Ashi candlestick pattern.

Wait for the candles to turn bullish and Parabolic SAR below the candlestick.

With the above two confluences, wait for the RSI to move above the 50 level.

Once all these confirmations hold true, the buy signal is triggered. **BUY** above the high of the bullish candle.

Place **STOPLOSS** at the Parabolic SAR.

TARGET is 1:2. If trading in multiple quantities, close half the position at 1:1.

In the above image, the BankNifty was moving sideways. Once the RSI took a pullback at the 50 level, we got a confirmation that the market was going to stay bullish. Still, we needed two more confluences: bullish candles and the Parabolic SAR to be below the price. Our trade triggered exactly at 1:30 p.m. The stipulated stoploss was at the Parabolic dot and the idea was to exit from the trade when the price met the Parabolic SAR.

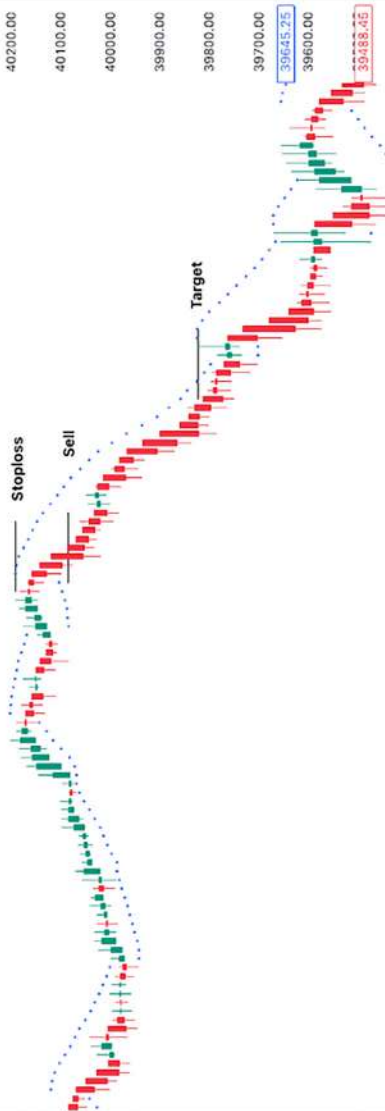
> TO SELL

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

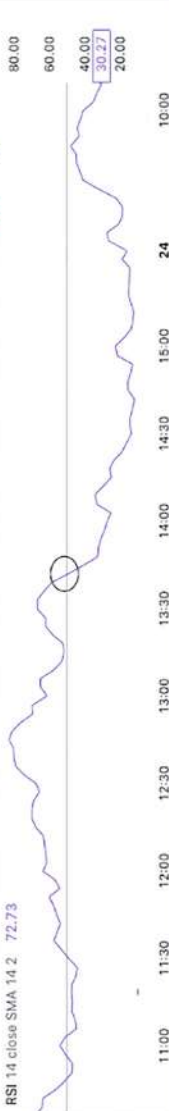
NIFTY BANK · 3 · NSE · Heikin Ashi O 42141.50 H 42141.50 L 42122.30 C 42127.45 -3.00 (-0.01%)

42132.55 | 0.00 42132.55

SAR 0.02 0.02 0.2 42191.56



RSI 14 close SMA 14 2 72.73



TradingView



TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Set the chart of any security on a 3-minute timeframe.

Apply RSI, Parabolic SAR, and Heiken Ashi candlestick pattern.

Wait for the candles to turn bearish and Parabolic SAR above the candlestick.

With the above two confluences, wait for the RSI to move below the 50 level.

Once all these confirmations hold true, the sell signal is triggered. **SELL** below the low of the bearish candle.

Place **STOPLOSS** at the Parabolic SAR.

TARGET is 1:2. If trading in multiple quantities, close half the position at 1:1.

In the above image, the Banknifty was moving sideways. It can be seen on the chart that the price came near its support making us alert for a breakdown. In this situation, we noticed that the RSI was falling below the 50 level, the candles turned bearish, and the Parabolic SAR was above the candles. Thus, all these confluences were confirming for a sell trade. At 1:48 p.m., we entered the trade. The target was hit around 3 p.m. We booked almost a profit of 1:3 Risk to Reward ratio.



5.2

RSI DIVERGENCE + BOLLINGER BANDS SCALPING STRATEGY



Strategy video

I have met with 10 scalp traders in my stock market journey, but none of them were actually profitable. Their most common reason for trading failure was not catching momentum. To be honest, catching the momentum in the stock market is a demanding task because you have to be really skilled at finding momentums in stocks.

MINUTES

1 min

5 mins

15 mins

The job of a trader is to find opportunities in the early stages of a pattern formation. Be it 1-minute timeframe or a 1-hour timeframe.

MINUTES

30 mins

45 mins

1 hour

Suppose, you are seeing a bullish tenant pattern forming on the chart right now. You spot a breakout and you take an entry in that trade. Boom, you ended up joining the bandwagon that is quite prominent in the history of technical analysis.

Simply put, the formation of a bullish tenant pattern is initiated by accumulating the security at the cheapest price.



BUT HAVE YOU EVER WONDERED WHO INITIATES THESE PRICE MOVEMENTS?

WHY ARE YOU ENTERING INTO TRADES WHEN THE PRICE HAS ALREADY REACHED MIDWAY?

WHY CAN'T YOU TAKE ENTRY AT THE EARLIER STAGES OF A PATTERN FORMATION WHERE THE ACCUMULATION IS HAPPENING?

To become a trader who can catch a trend at the earliest, you have to understand the hidden secret of catching momentum in stocks. But, before we dive deep into concepts like divergence, we will have to understand what is an RSI oscillator and Bollinger Bands.

RSI is a technical oscillator that ranges from 0 to 100. It is an underlay indicator which means it is placed below the price chart. The RSI indicator helps you understand the price momentum. The traditional theory states that when the RSI is above 70 level, a stock is considered to be overbought and when the RSI is below 30 level, a stock is considered to be oversold.



But, the term "Relative Strength Index" by itself says that it is relative to the price. The fluctuation in the security price depends upon the nature of the security. If the stock belongs to an aggressive sector, there is a high probability that the stock will continue to rise above the 70 level and continue to fall even when the RSI is below the 30 level. This is why, I prefer to use the RSI for divergence.

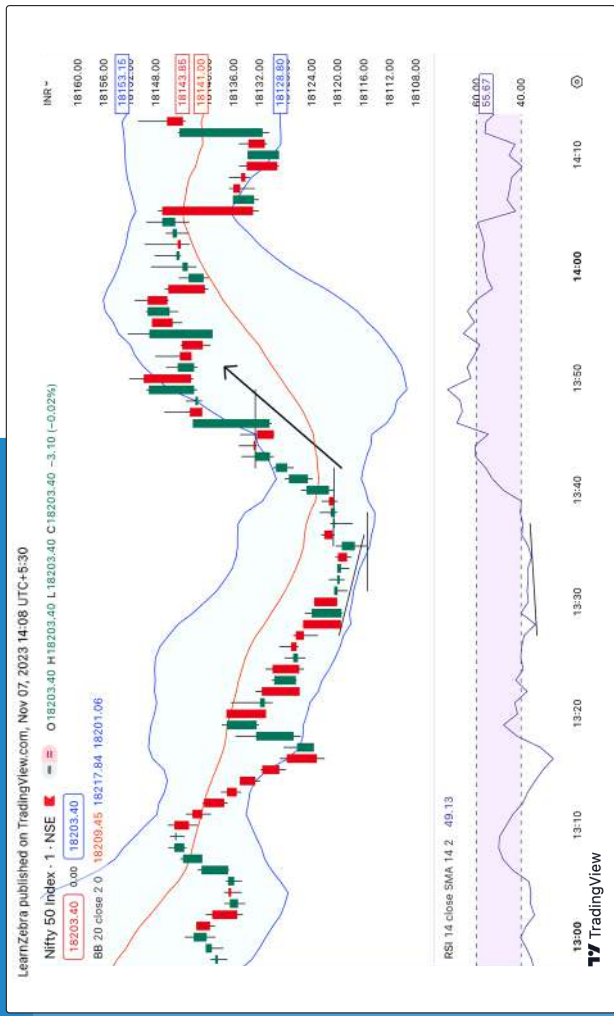
The fluctuation in the security price depends upon the nature of the security. If the stock belongs to an aggressive sector, there is a high probability that the stock will continue to rise above the 70 level and continue to fall even when the RSI is below the 30 level. This is why, I prefer to use the RSI for Divergence.

Another indicator we will use to make this strategy more effective is Bollinger Bands. When we have identified a range, we need to look for the price extremes to benefit from the whole trend. Bollinger Bands is a technical tool that uses 3 bands to mark the price levels. The middle band is the 20-day Simple Moving Average. The upper band of the Bollinger Band acts as a resistance and the lower band acts as a support.

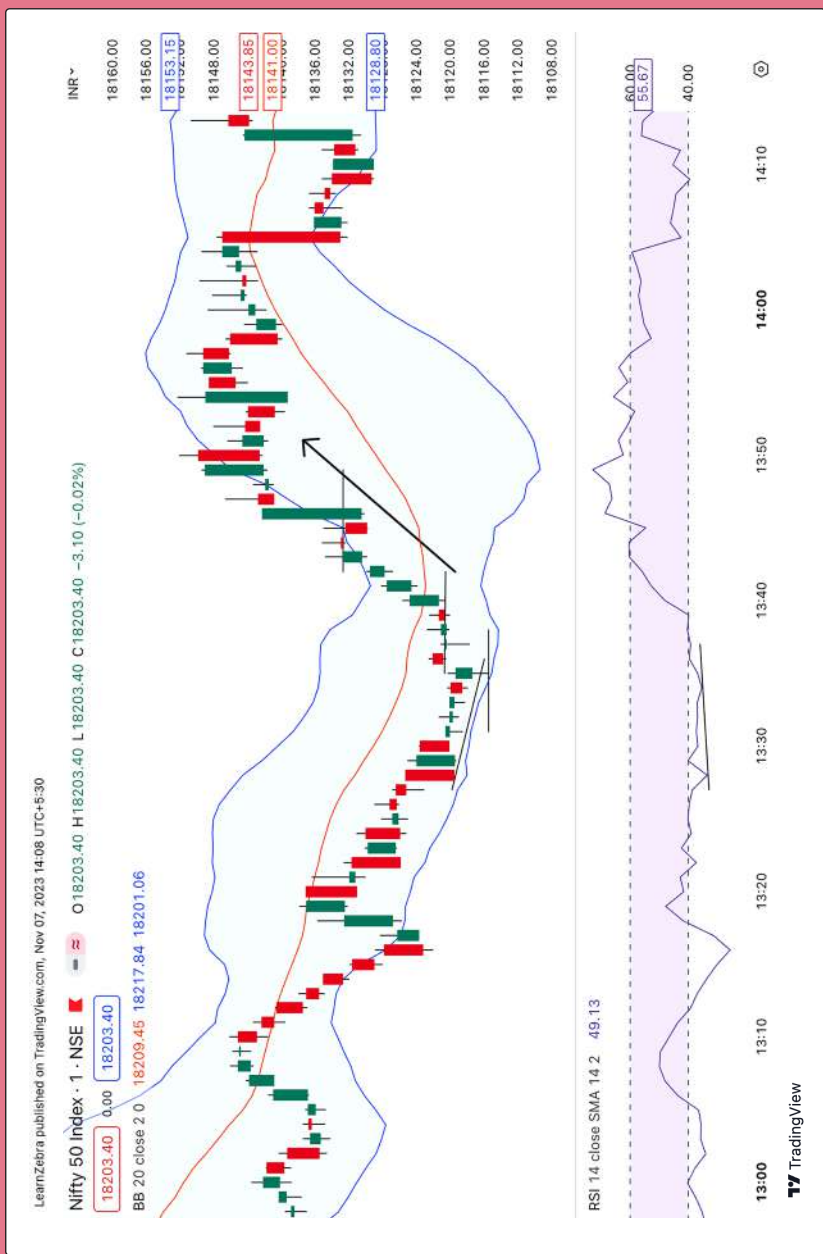


THE STRATEGY

The idea is to use the Bollinger Bands for getting a range and the RSI to spot divergence and take the trade at the earliest. For a Bullish trade, we wait for the price to cross below the lower Bollinger band and make lower lows. But, the RSI should not replicate the price movement. When we spot a green candle, we enter the buy trade and exit at the upper Bollinger Band. This same technique is used to take a short trade.



> THE EXECUTION



TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any chart.

Apply Bollinger Bands and RSI on a 1-minute timeframe.

Wait for the price to form lower lows near the lower Bollinger Bands.

Observe the movement of the RSI, if the RSI - is going against the price movement, it is a Bullish Divergence.

BUY entry is triggered when the price makes a green candle after a fall.

TARGET is at the high of the upper Bollinger Band.

The **STOPLOSS** is placed below the low of the green candle.

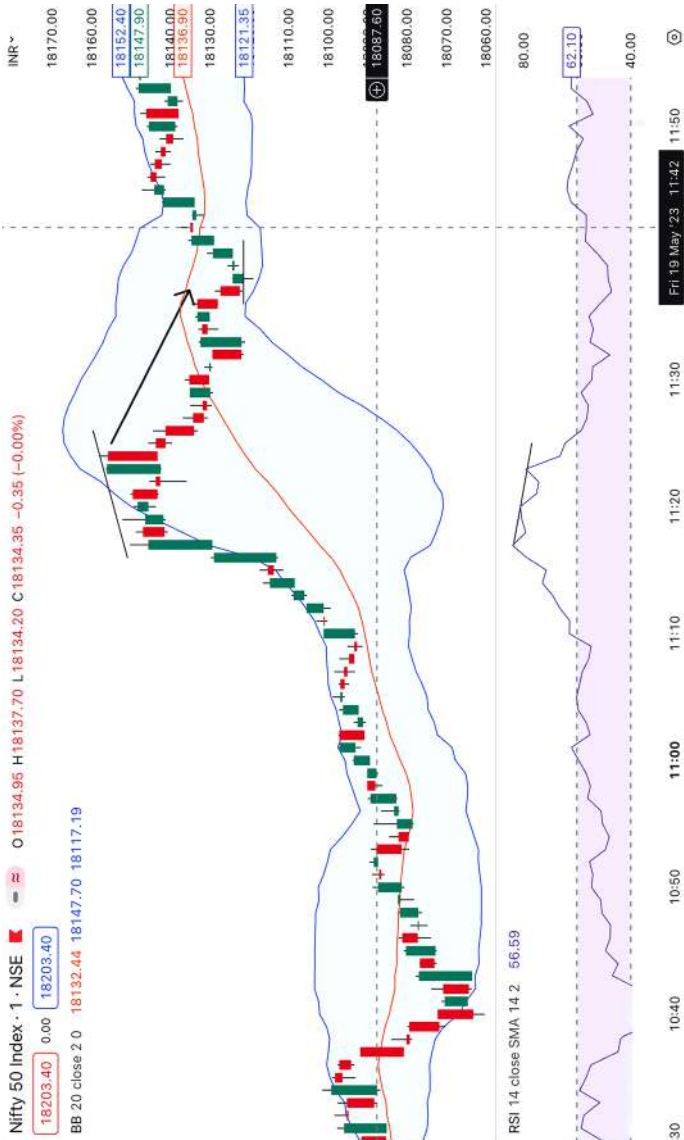
On the above chart, it is evident that the price was making lower lows but the RSI was not reciprocating the price movement. This indicated strength. As the price touched the Bollinger Band, it took the support and the candle turned bullish. With multiple confirmations, we entered the trade at the high of the green candle. According to the strategy, we put the stoploss below the low of the candle and target the high of the upper Bollinger Band. With this strategy, we successfully got a 1:2 Risk to Reward ratio.



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Nifty 50 Index · 1 - NSE O 18134.95 H 18137.70 L 18134.20 C 18134.35 -0.35 (-0.00%)

BB 20 close 2 0 18132.44 18147.70 18117.19



TV TradingView

TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any chart.

Apply Bollinger Bands and RSI to the chart on a 1-minute timeframe.

Wait for the price to cross the upper Bollinger Band and form higher highs.

Observe the movement of the RSI - if the RSI is not reciprocating the price movement, it is a Bearish Divergence.

SELL entry is triggered when the price makes a bearish candle.

The **STOPLOSS** will be above the high of the bearish candle.

The **TARGET** will be at the lower Bollinger Band.

In the above image, it is clear that the price was making higher highs after crossing the upper Bollinger Band. However, exactly at this time, the RSI was not reciprocating with the price movement, indicating that there was no strength in the price to move upward. As per the observation, we waited for the price to form a bearish candle and sell at the low. The trade ran for almost 10 minutes. We got the target as per the strategy and succeeded in getting a 1:3 Risk to Reward ratio.

5.3

SCALP TRADING WITH RSI AND VWAP



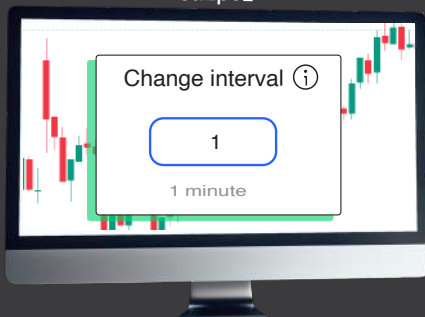
Strategy video

During the earlier time, floor traders used to buy and sell shares frequently within a few seconds or minutes. This practice was adopted to profit from small price changes in the stock prices. With the advancement of technology, this practice is now done via computers.

The shares are bought and sold quickly for a few points multiple times in a trading session. Scalp traders carry a different mindset from regular traders, they look for quick trends to ride the markets.

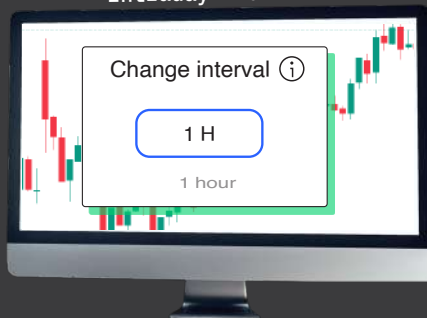


Scalper



Their preferred timeframe for scalping ranges from 1 minute to 3 minutes.

Intraday Trader



On the other hand, intraday traders or swing traders prefer a timeframe above 5 minutes- it can be 5 minutes or 1 hour depending upon their trading style.

When my Guruji introduced me to scalp trading, *I thought this was totally absurd - buying and selling for a few points. It would cost more in brokerages and taxes. However, as soon as I learned how it was done, I got a clear understanding of the concept.*

The idea is to place large volume of orders for quick gains. When we trade with huge volumes, the brokerage is covered and we end up making profits. However, we can also incur losses if not traded with a plan.



After learning about scalp trading, I devised some plans and tested them in the live markets but, they failed miserably. This usually happens when you try to build a strategy that is profitable in the long run. No strategy will give you loads of profits. It will have drawdowns and losing streaks that will shake you from the core but you have to adhere to your rules.

The technical tools I use for scalping are RSI and VWAP.

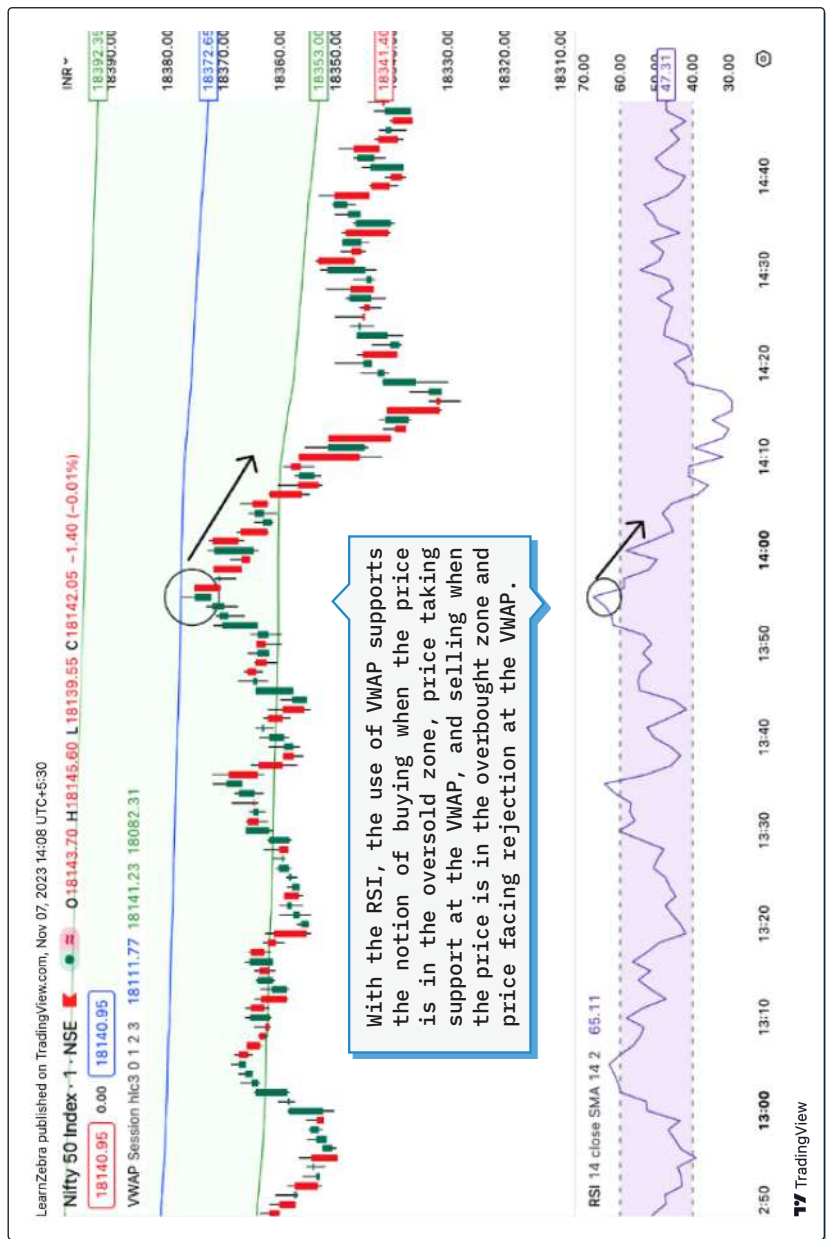
RSI 14 close SMA 14 2

VWAP Session hlc3 0 1 2 3

The RSI range from 70-100 is considered the overbought zone where the price tends to slow down after an advancement.

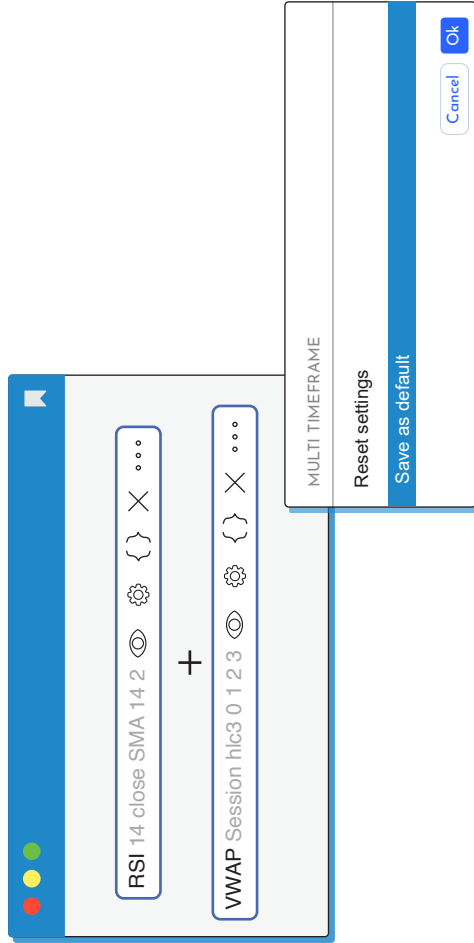
100.00
75.00
50.00
25.00
0.00

The 30-0 range is the oversold zone where the price exhausts after a decline.



THE STRATEGY

The idea is to catch small but quick moves on a 1-minute timeframe. The combination of RSI and VWAP performs the best when used with default settings. The buy signal is triggered when the price takes support at the VWAP and the RSI is below the 30 level. Whereas, the sell signal is triggered when the price takes rejection from the VWAP and the RSI is in the overbought zone.



THE EXECUTION

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

Nifty 50 Index · 1 · NSE ~ O:18203.40 H:18203.40 L:18203.40 C:18203.40 -3.10 (-0.02%)

VWAP Session hlc3 0 1 2 3 18138.54 18177.38 18099.69

INR ~

18188.00

18184.00

18180.00

18176.00

18173.55

18172.00

18168.80

18164.00

18160.00

18156.45

18152.00

18148.00

18144.15

18140.00

18136.00

70.00

64.72

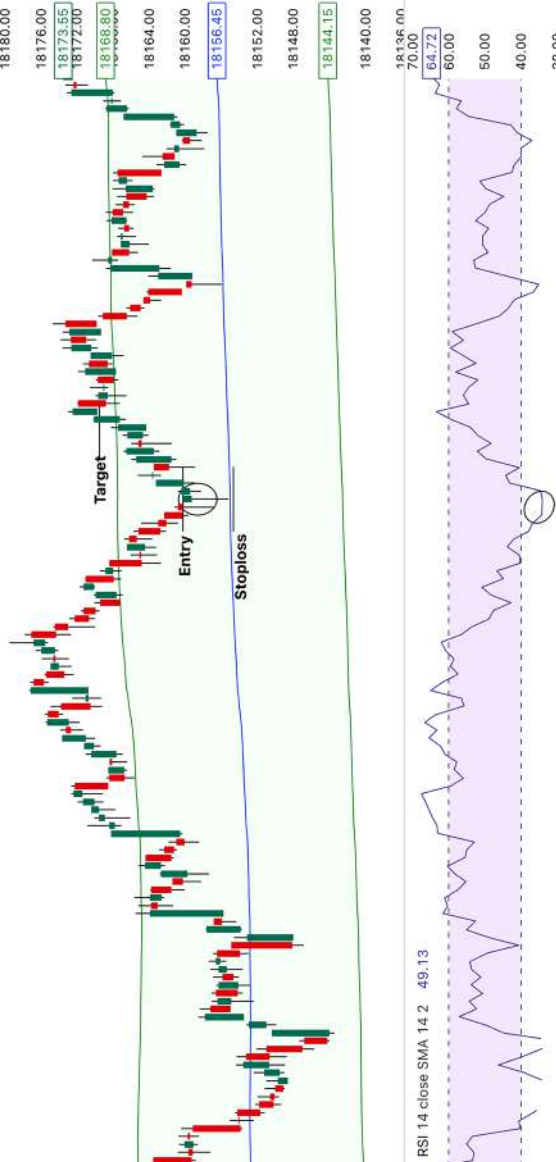
60.00

50.00

40.00

30.00

⊕



14:30

14:15

14:00

13:45

13:30

13:15

13:00

12:45

12:30

TradingView

TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any chart (stock, indices, etc).

Set the chart to a 1-minute timeframe.

Add VWAP and RSI indicators to the chart.

Look for the RSI to go in the oversold zone and the price to take support at the VWAP.

BUY when both indicators give a buy signal.

STOPLOSS should be below the VWAP.

TARGET should be at the upper band of the VWAP or trail it for maximum gains.

It is evident from the chart that on 2nd May 2023, the price took support on the VWAP and at the same time, the RSI was in the oversold zone. With multiple confirmations, we got a buy signal and took the trade, with a stoploss below the VWAP and a target above the upper band of the VWAP. Following this strategy, we got a Risk to Reward ratio of 1:2.



> TO SELL



TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open any chart (stocks, indices, etc.)

Set the chart to a 1-minute timeframe.

Add VWAP and RSI indicators to the chart.

Look for the price to go in the overbought Zone and price to face a rejection from the VWAP.

SELL when both the indicators give a sell confirmation.

STOPLOSS should be above the VWAP.

TARGET at the lower band of the VWAP or trail it for maximum gains.

On 16th May 2023, the market was making lower lows in a 1-minute timeframe. The market was in a downtrend. Whoever entered the market would have benefitted from the trend but, for traders who could not get a chance, the price rejection from the VWAP was the right place to ride the trend. When the price faced rejection at the VWAP and the RSI was in the overbought zone, we entered the trade and trailed the stoploss till the previous price support.

5.4

SCALPING 1 MINUTE CONSOLIDATION BREAKOUTS



Strategy video

This chapter is not for beginners. *If you are someone who has just started trading then I do not recommend you to use the strategy discussed in the following pages.* I say this because this chapter will talk about scalping.

On the other hand, if you have some experience trading the markets, this scalping strategy will help you in catching those quick moves with very small risk. You can use this setup in any stock as you wish. However, I recommend using it on highly liquid stocks or indices such as Nifty 50 and Bank Nifty.

Let me talk about what scalping is in brief in case you don't know what it is.

UNDERSTANDING SCALPING AND ITS PROS AND CONS

Scalping is a method which aims to profit through micro moves from an asset's price fluctuation. It refers to a high frequency trading strategy. Generally, scalpers use a 30 seconds to 1 minute timeframe in order to scalp from the market.

(I will be using a 1-minute chart while using this setup).

MINUTES

1 min

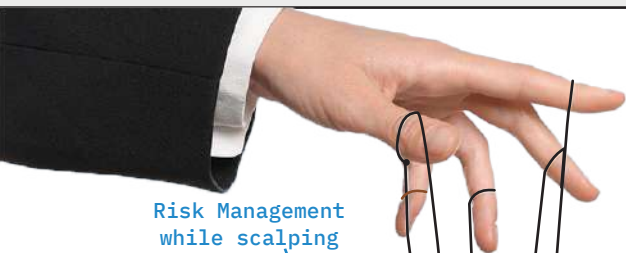
3 mins

5 mins

15 mins

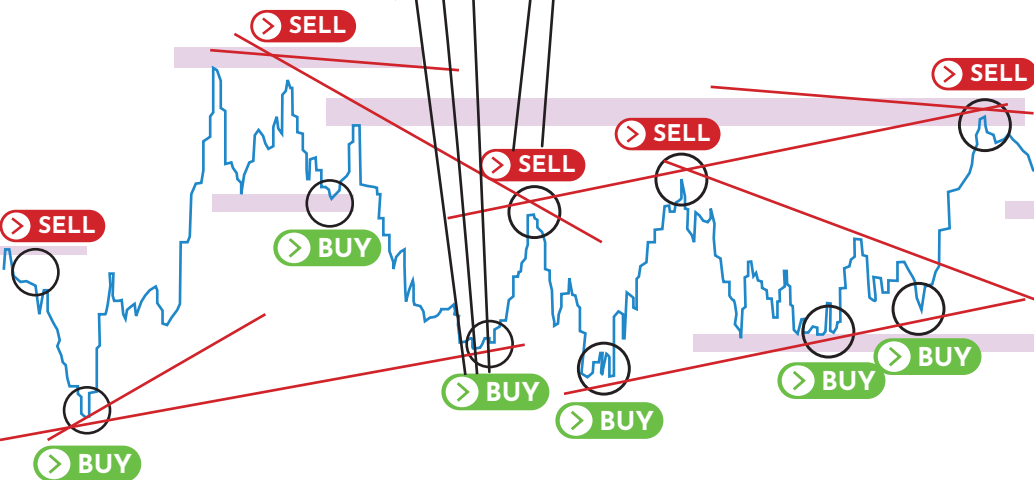
30 mins

45 mins



Risk Management while scalping

Scalpers take multiple trades within a day, this is why it is very crucial for a scalper to deploy effective risk management techniques in order to remain profitable. This is the reason why I don't think beginners should start scalping right away.



However, if you are someone who has expertise in intraday trading then scalping might sound more lucrative to you. The pros of scalping are small but profiting from micro moves with a very small risk is what attracts a majority of traders to this method. On the other hand, the cons are weighted higher because a scalper has to pay higher commissions due to their number of trades and they also need to monitor their trades constantly.

PROS AND CONS OF SCALPING

PROS

Small profits with micro waves, less risk.

CONS

High brokerage/commissions

Lucrative for Intraday Traders

Now let me discuss some of the things you need to remember in order to execute this strategy.

SCALPING 1-MINUTE CONSOLIDATION BREAKOUTS

Basically, what I am looking for is a pre-established trend at first. Post that, I will look for a small consolidation and enter when the price breaks out from the consolidation range.



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Nifty 50 Index, 1, NSE **19733.85 +0.20 (+0.00%)**



TV TradingView

11:40

11:45

11:50

11:55

12:00

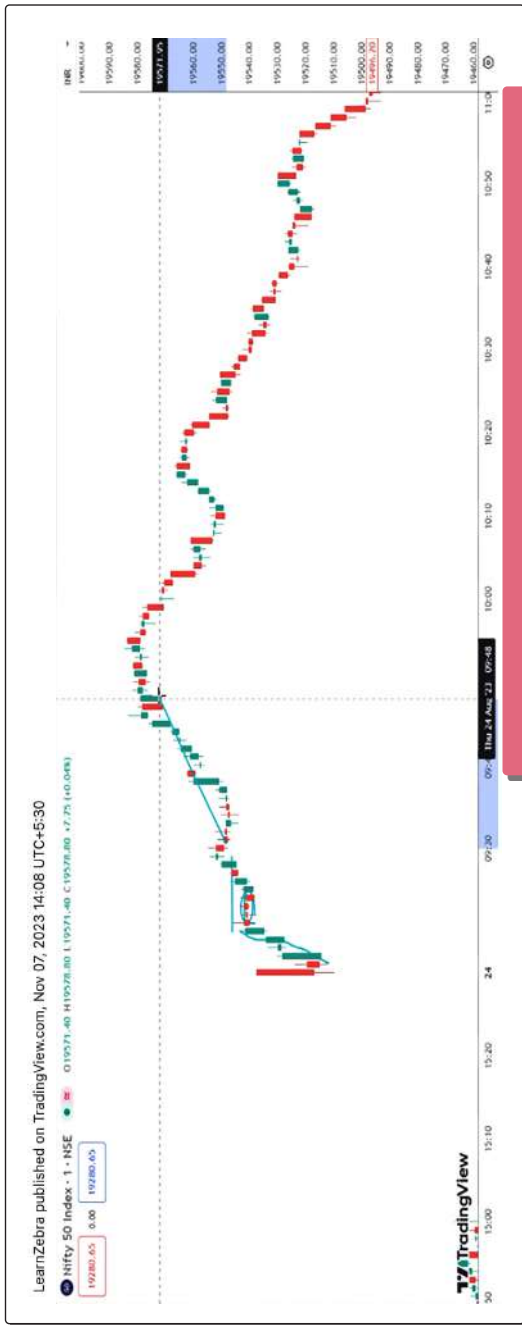


Let us break this down into 5 rules now.

- 1 Identify the pre-established trend. Remember, we are only going to trade with the trend.
- 2 Once the trend is established, wait for the next 4-5 candles to form a range – this range will be evident through small candle bodies with wicks. (You will get a clear idea once we take a look at the chapters.)
- 3 In case of a bullish trend, buy when a candle breaks the high of the range. In case of a bearish trend, sell when a candle breaks the low of the range.
- 4 Keep a minimum target of 1:3 while keeping the stoploss above/below (depending upon the direction of your trade) of the breakout/breakdown candle.
- 5 Do not forget this one! As this is a scalping strategy, we will close the trade in 10 minutes even if the market doesn't hit our target or stoploss.

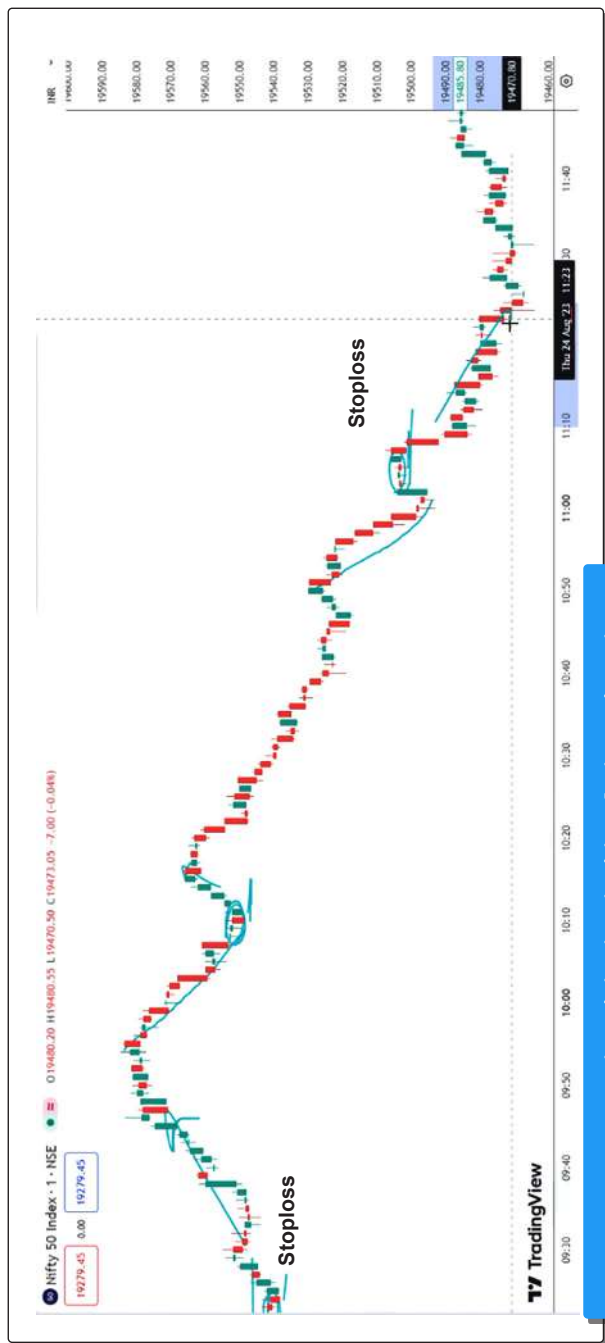


Let me show you some examples now.



In the above image, you can see that the Nifty 50 has established an uptrend after breaking the high of the day's first 1-minute candle. After breaking the high, it is consolidating within a range, this is where I will be looking for a range breakout and buy the Nifty 50. Once the range is broken, I will buy Nifty 50 while keeping my SL on the low of the breakout candle and target a minimum of 1:3 of my risk.

This is another example based on bearish market.



As you can see on the right-hand side of the price chart, a similar setup is forming. The trend is bearish now, the price is going down furiously. This is where I will be looking for a small range to form. Once it forms and breaks, I will sell the Nifty 50 while keeping the breakdown candle's high as my SL and target a minimum of 1:3.

This scalping setup benefits from the momentum in trending moves by waiting for brief pullbacks and entering once the breakout-breakdown happens.





CONCLUSION



To conclude, this trading strategy provides a clear-cut approach to scalping in indexes as well as highly liquid stocks. This setup aims to profit from the sudden bursts of momentum in an asset's price through timely entries and pre-decided exits. Always remember to use effective money management rules in order to produce best results.



5.5

MOVING AVERAGE SCALPING STRATEGY



Strategy video

In case you have forgotten, *scalping is the art of taking and exiting trades within a very short span. I do not recommend this strategy if you are someone who is just starting out.* There are many positional trading strategies discussed in this book and I think you should try them first before shifting to scalping.

On the other hand, if you are someone who is experienced, this strategy is for you.

The basic premise of the Moving Average Scalping strategy is that the MA's act as magnets. Meaning whenever the price goes far away from the moving average, the price tends to revert back to take support/resistance from the MA.

— Moving Average Exponential

Price

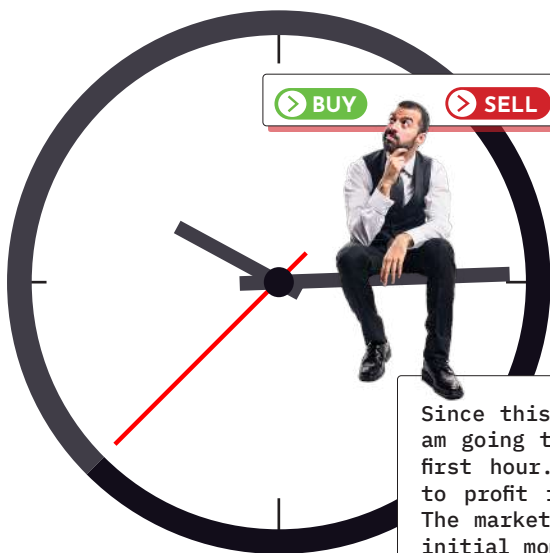
We are going to take advantage of this tendency of price. *This is also called Mean Reversion.*

This chapter discusses how a simple EMA (Exponential Moving Average) can be used for scalping profits *in the first hour of market.* Let's discuss the strategy now.





SCALPING WITH MOVING AVERAGE



Since this is a scalping strategy, I am going to execute this in the very first hour. Remember, we are looking to profit from the initial momentum. The markets can get choppy after the initial momentum has died off.

YOU CAN EXECUTE THIS STRATEGY IN 6 SIMPLE STEPS:

- STEP 1:** Apply a 5 or 7 period EMA (Both will work) on a 5-minute timeframe.
- STEP 2:** In case of a bearish trade, I am looking for the 2nd candle to close above the moving average. (I am not going to sell on the very first candle as the first candle of the day is very volatile.)
- STEP 3:** I will sell the stock at the low of the 2nd candle, which has also closed above the EMA. Remember, the second candle should not touch the EMA in any way. I will keep the stoploss on the high of this candle.
- STEP 4:** I will adjust the entries from time to time. Meaning, if I am getting a better entry point on the 3rd candle, I will shift my entry point there. Do not worry, you will have a better idea of entry once we look at the examples.
- STEP 5:** I will keep my R:R ratio to be at least at 1:3 or 1:4.

Again, I will not execute any trades after the first hour. If this setup doesn't generate signals in the very first hour then I will not be taking trades based on this strategy. This is a very key thing to remember because traders often get ahead of themselves and gamble without sticking to their trading plan.



Scalping with a moving average is quite effective as it enables you to profit from the price-MA relationship. Whenever the price irrationally goes away from the moving average in the first 2-3 candles that is where this strategy is the most effective. Let us look at some examples now.

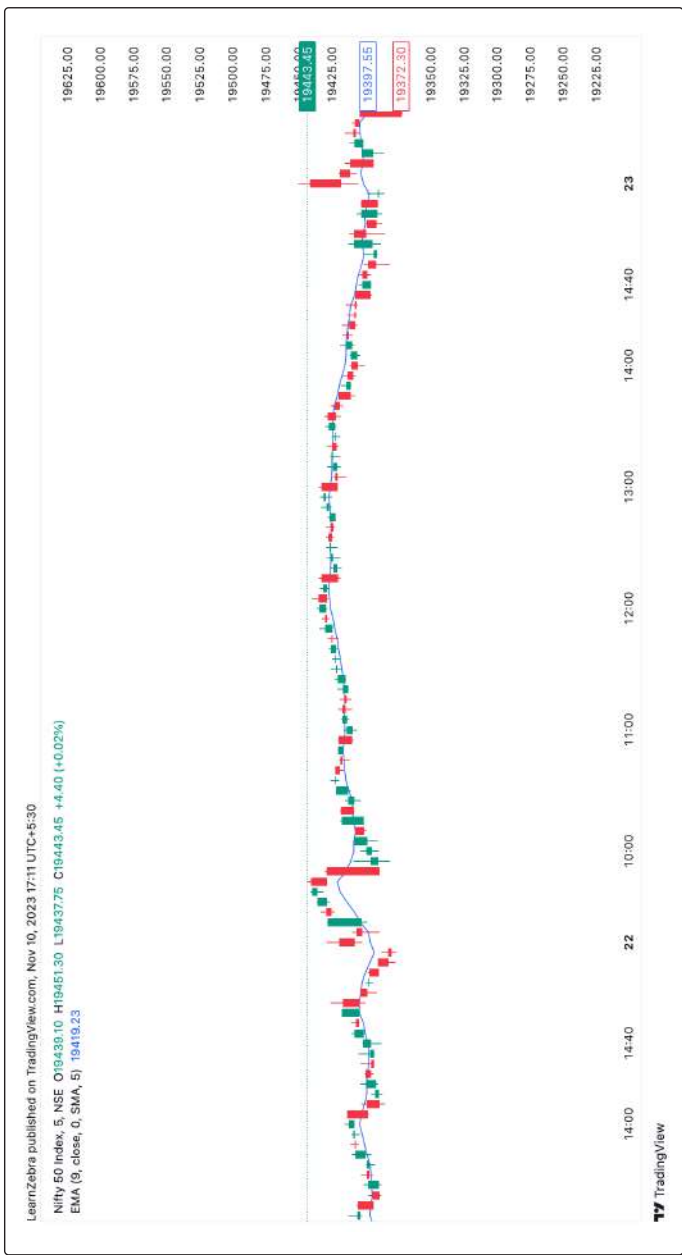
As you can see in the image below, the price has opened above the moving average and making higher highs. This alerts me to keep an eye on the market until my entry is triggered. My entry is triggered on the 9th candle which broke the previous low. I will keep my stoploss above the high of the red candle and a risk to reward ratio of 1:3 or 1:4



This scenario gets even better. As the 3rd candle is followed up with a bunch of bullish candles, I am likely to get a better entry point. Notice how my entry is triggered with an Evening Star pattern. This is where I will short the Nifty 50 because the low of the bullish candle got violated.

I will be keeping the stoploss on the high of the Doji candle and aim for at least 1:3 risk to reward ratio.

Let us look at another example now.



Here you can see that the second candle touched the moving average. However, we will still look for trades as the 1st hour of the market is not over.

This setup generated another scalping opportunity when the Nifty 50 took support from the EMA and made another Evening Star pattern. Notice how the candle is not touching the moving average.

In this case, I will short the market once the low of the Doji is violated and aim for a 1:3 risk to reward ratio.



CONCLUSION

Scalping with Moving Averages provides a systematic approach to profit from the tendency of the price and moving average relationship. However, it is important to follow each and every rule of this strategy to get expected results.

Traders using this strategy should always go for a 1:3 risk to reward ratio because this is a scalping strategy. There will be times when this strategy will hit the stoploss for 2-3 times consecutively, but always remember that the odds are in your favor as long as you follow the rules.

5.6

MARTINGALE SYSTEM



Strategy video

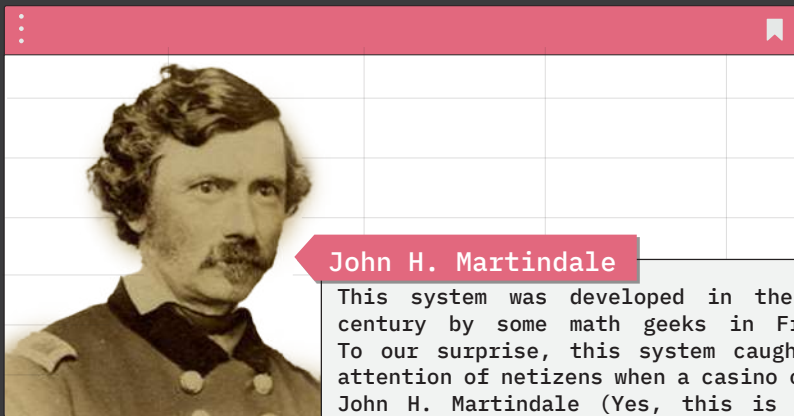
“

Gambling is not about how well you
play the games;
it's really about how well you
handle your money.

This quote is from the poker player V. P. Pappy. This is probably our favourite quote in terms of the advice it contains. *He is making the excellent point that good money management is absolutely essential to successful gambling.*

In the stock markets, we do not encourage you to gamble your money. Trading is a game of skills, not a game of luck. You make confident decisions and calculations to win here.

There is a concept in gambling that is used in the financial markets to win with certainty. The concept is called the 'Martingale System'.



John H. Martindale

This system was developed in the 18th century by some math geeks in France. To our surprise, this system caught the attention of netizens when a casino owner, John H. Martindale (Yes, this is not a Typo, his name has "D" in it) encouraged casino players to double down on their next bet if they lose one, and continue to do that until they win profit as equal to the profit of the first bet.

In this chapter, we will discuss martingale trading strategy, and how you can profit from it.



HOW DOES MARTINGALE SYSTEM WORK IN TRADING? ▼

The Martingale system is a strategy that focuses on betting until you win. The method is simple - you double down your bets until you win. This sound like a gambling. Is it? Is betting everything at once is riskier than betting in different tranches? The answer is simple, betting in one go will probably erode your capital and you will be left with nothing as you have used your 100% capital. However, with martingale system, you are not betting all at once but in small tranches.

You see, if your bet goes against you, you might lose only a small portion of your capital; to cover that loss, you bet twice the previous amount; if lost again, you repeat until you win.



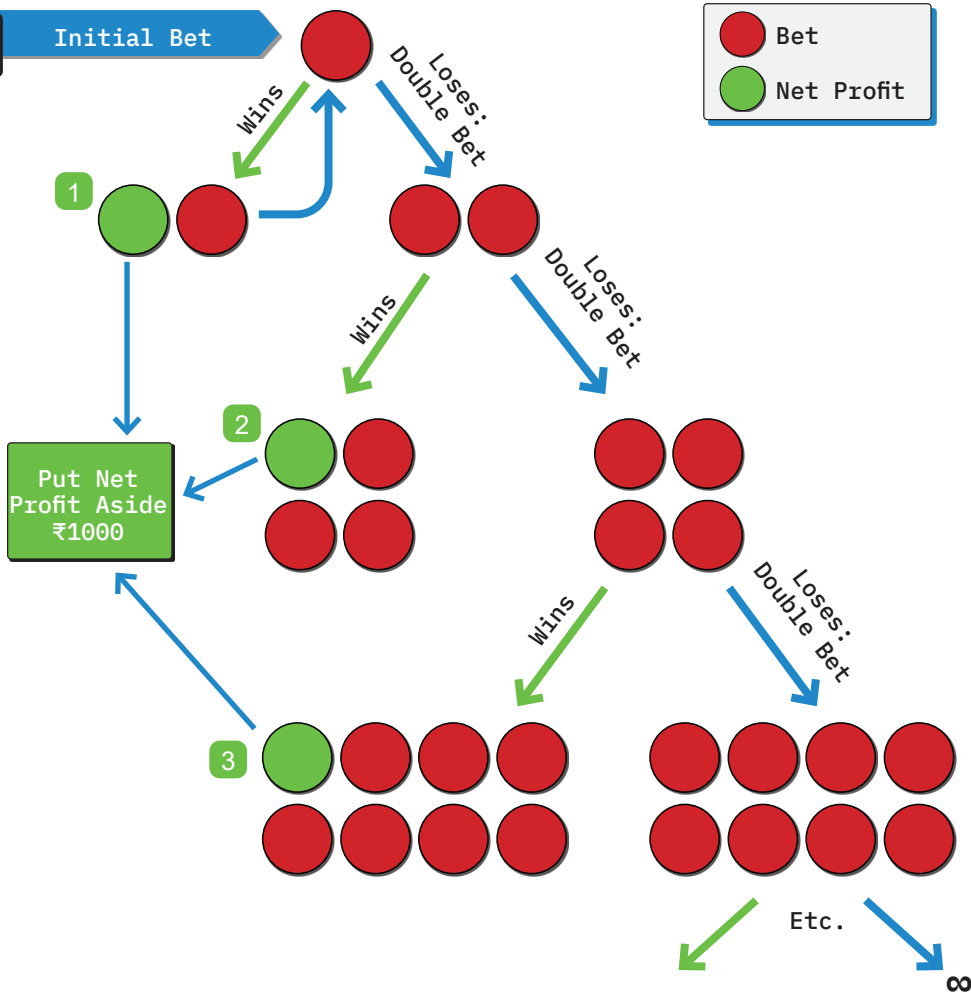
Here is an example:

Let's say you bet with a fixed sum of ₹1000. You chose heads, and you lose the bet (tails instead of heads). Now, you would increase your bet size to ₹2000. If it comes out tails again, which is another loss, you would now increase your bet to ₹4000. You continue this process until you end up with a winner.



Initial Bet

 Bet
 Net Profit



Here's what the outcome would look like:

- 1 If you win the first bet, you win ₹1000.
- 2 If you lose the first and win the second bet, you end with a net profit of ₹1000 ($₹2000 - ₹1000$).
- 3 If you lose the first two bets ($₹1000 + ₹2000 = ₹3000$) and win the third bet, you end up with a net profit of ₹1000 ($₹4000 - ₹3000$).
- 4 If you lose the first three bets ($₹1000 + ₹2000 + ₹3000 = ₹7000$) and win the fourth bet, you end up with a ₹1000 net profit ($₹8000 - ₹7000$).



Observe that at any stage, the size of the winning bet exceeds the combined losses of all the previous trades, and the difference is the size of the initial bet.

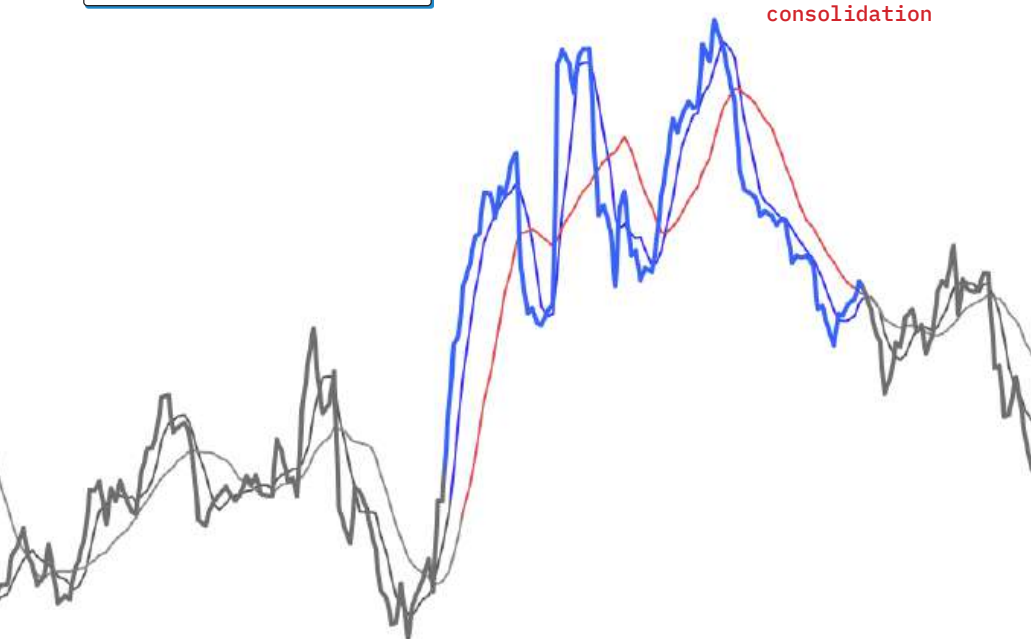
THE STRATEGY

The objective of this strategy is to take entries on mean reversion points using the 5 & 14 Exponential Moving Averages. The mean reversion method proposes that, after a rally or a fall, the market reverses to its average price, which is considered to be a fair value.

SMA 14 close 0 SMA 5 1645.18

SMA 5 close 0 SMA 5 1619.18

Rally then again
consolidation



If the moving average price is ₹100 and the price moves away to ₹108. According to the tendency, the price will reverse back to the average. I.e. ₹100. As a trader, I would wait for the price to move away from its average and then return. Since, the discovery of technical analysis, reversal traders have been the best trades in terms of risk to reward ratio.

The strategy involves selling at the bearish reversal and buying at the bullish reversal. This is a scalping strategy and the suggested timeframe is 1-minute.





— TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open a charting software.

Select the stock or index you want to trade.

Set the chart to a 1-minute timeframe.

Apply 5 and 14 EMA to the chart.

Look for a downward move and wait until the market gives a bullish reversal sign.

BUY at the high of the bullish candle.

STOPLOSS at the low of the bullish candle.

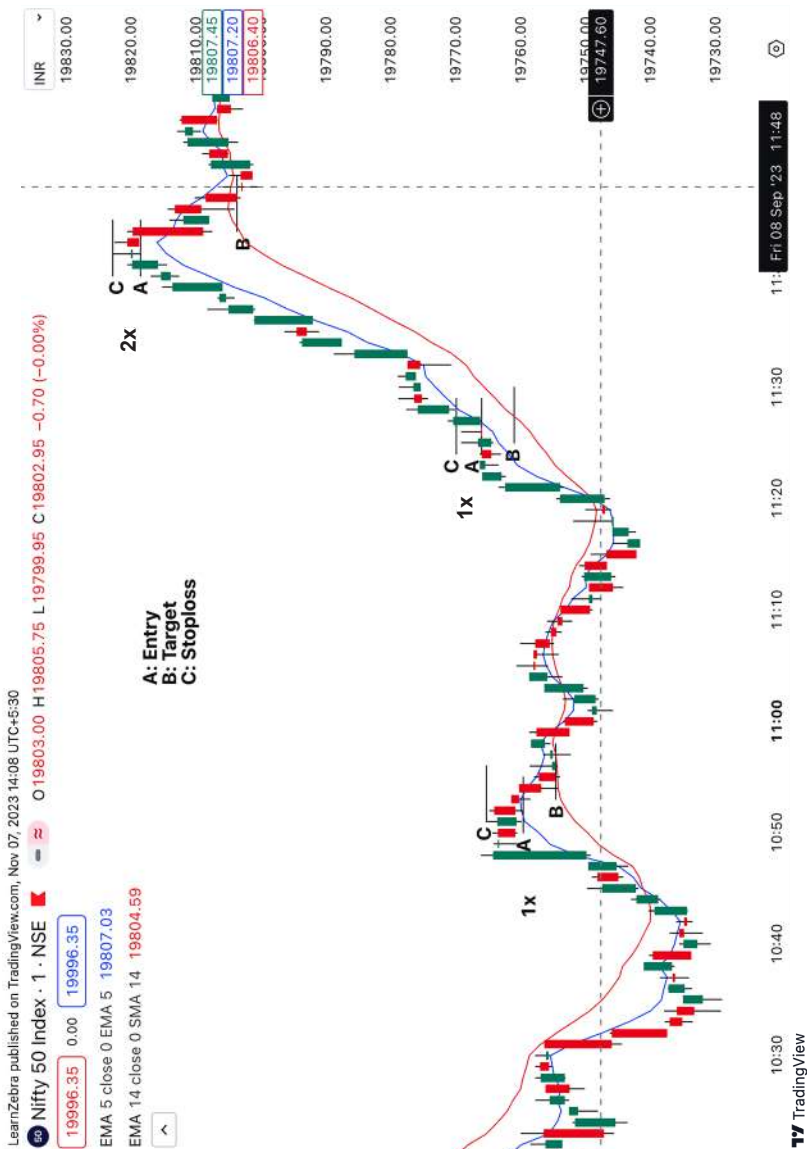
The **TARGET** is at the 14-EMA.

The average Risk to Reward ratio is 1:1.

As you can see in the above picture, we took three trades according to the martingale system. The market was in a downtrend, and it was a perfect time to take buy trades on the mean reversion. The first trade was taken at 10 a.m. in the morning, the second trade was taken at 11 a.m.; the third trade was taken around 11:30 a.m. As you can see, all three trades were profitable. The first trade was taken with one lot. Since all the trades were profitable, I did not have to apply the martingale technique here. down every time I took the entry. Fortunately, I didn't bear loss, but if I had lost in the first two trades, the third trade with a bigger position sizing would have gotten me a profit equal to the position sizing of the first trade.



TO SELL





TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open a charting software.

Select the stock or index you want to trade.

Set the chart to a 1-minute timeframe.

Apply 5 and 14 EMA to the chart.

Look for an upward move and wait until the market gives a bearish reversal sign.

SELL at the low of the bearish candle.

Place **STOPLOSS** at the high of the bearish candle.

The **TARGET** is at the 14-EMA.

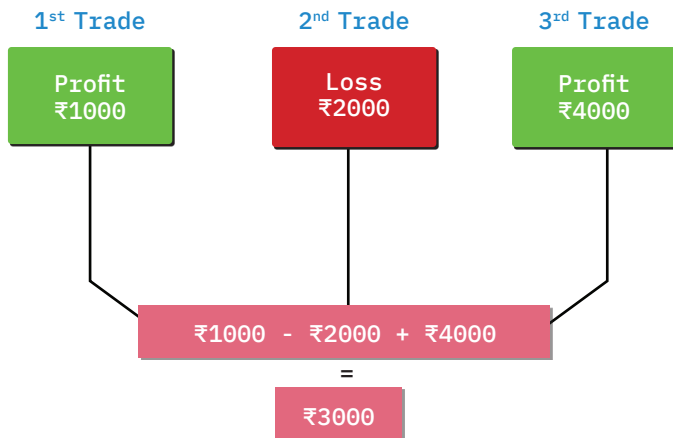
The average Risk to Reward ratio is 1:1.

As you can see in the above picture, the market was making higher highs and higher lows. Amidst that, we decided to sell the market as per the mean reversion using the martingale trading system. Simply put, we placed three short sell trades. The first trade with 1x quantity was profitable, since the first trade was in profit, the second trade was also with 1x quantity. Since the second trade was in loss, the third trade was done with 4x quantity. The final trade was in profit, which was done with maximum quantity.



Suppose the loss for the second trade was ₹2000 and the profit made over the third trade was ₹4000. This gave a net profit of (₹4000 + ₹1000 - ₹2000) ₹3000.

Note that you will only double down your bet size when the previous trade is loss making and the maximum bet size would still be 4x even if the third trade is a loss making one.

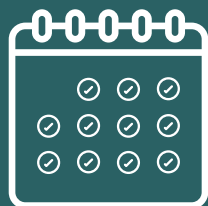


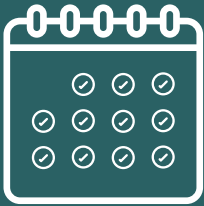
This strategy does not let you end up in losses, but this is only possible when you can bet multiple times until 100% of your capital is utilised. I do not encourage you to put all your eggs into one basket. If you are unsure about your view of the market, you can add the martingale system to end the trading day in profit. The only downside of this strategy is that it requires doubling your bet size and encourages you to overtrade. The only resort to avoid this situation is to be mindful of how many trades you are going to take in a single trading session.

This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

CHAPTER 6

OPTION STRATEGIES





- | | |
|--|---|
| 6.1 Weekly hedged strategy | 6.9 Exploring the Theta Decay Strategy in Options Trading |
| 6.2 Multi time Option Strategy | 6.10 Maximizing Momentum with the BTST Option Buying Strategy |
| 6.3 Option Buying using Open Interest | 6.11 The 3:00 PM Nifty Intraday Strategy |
| 6.4 Supertrend Selling | 6.12 The Momentum Selling Strategy: A Profitable Approach to Option Trading |
| 6.5 Combined Option + VWAP | 6.13 Swing Buying: A Winning Options Trading Strategy |
| 6.6 Momentum Buying Option | |
| 6.7 The Expiry Decay Strategy | |
| 6.8 The Combined Stoploss Strategy: A Unique Approach to Options Trading | |

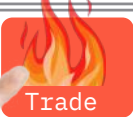
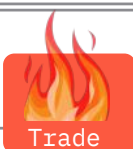
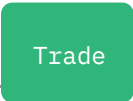
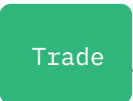
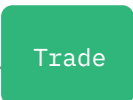


6.1

WEEKLY HEDGED STRATEGY



Strategy video

	MON 16	TUE 17	WED 18	THU 19	FRI 20
9:15 AM	 Trade		 Trade		
		 Trade			 Trade
				 Trade	

In my stock market journey, I have met many intraday traders who burned their hands in the market and yet pursued the same notion

The major issue with their psychology is the fact that they want to trade daily. To be honest, "to have regular income from the stock market, one needs to be irregular when taking trades".

Simply put, the market does not give you opportunities daily, there might be days with no opportunity. In order to trade daily, traders usually buy and sell without any logic just to satisfy their urge to place an order in the market. In the end, they blow their capital and curse the market. This is a classic case of intraday traders. On the other hand, when we look at the job professionals, we see them trading during their office hours.

Their major complaint is that they fail to look at the charts while in office and as a result miss trading opportunities.

If you notice, a common pattern can be observed - both kinds of traders regret missing trading opportunities. Still, if they want, they can resort to weekly trading opportunities. I.e. taking trade once a week.

I have been through the same journey, I have regretted not taking trades due to hectic schedule of my office.

This thought of not having any income from stock market without giving it time pushed me to develop strategies that can help me and my fellow traders who are currently reading this book.

With the zeal to develop a weekly trading strategy, I delve deep into different concepts of futures and options to understand how can I benefit from the derivatives segment while being in my office. This led to the exploration of calendar spread.

CALENDAR SPREAD STRATEGY

A calendar spread is a strategy where we sell the 300-400 strike price OTM spread and put options of the current expiry and buy the call and put options of the same strike but of the next expiry.

SELL

BUY

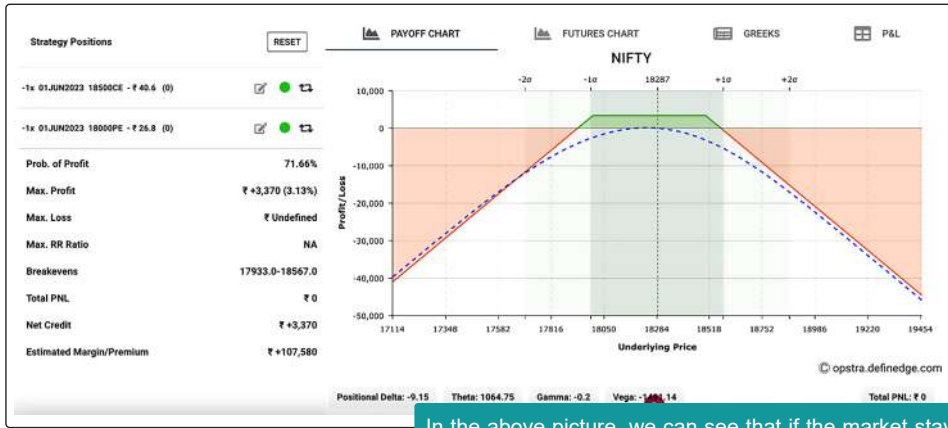
Sell the 300-400 strike price OTM call

Buy the call and put options of the same strike but of the next expiry.

Let's understand this with an example: On 24th May 2023, the Nifty 50 index closed at 18,285. If we look at the chart with daily timeframe, we can see that the market was stuck between 18059 to 18459, a 400-point range. Now in this situation we would want to eat premium by selling options of the current week expiry and if the market moves. The Vega should benefit us.

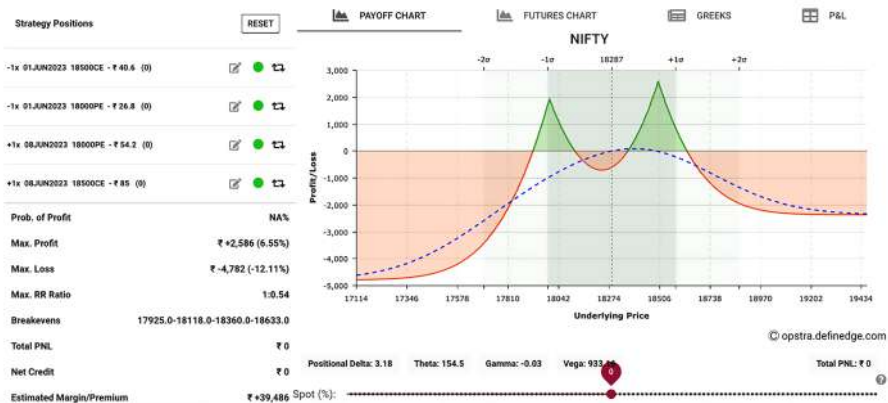
That is why, we would buy the next week's expiry. The range for the market is 400 points. So, we will sell 18,500 CE option and the 18,000 PE option. In this case, the expiry is on the next day so we will sell options of 1st June 2023 and buy options of 8th June 2023.





In the above picture, we can see that if the market stays in the range, we will get a profit of Rs. 3,370. The strategy does not end here. By selling we are getting theta decay but to profit from the market move, we need to buy CE and PE of the same strike price but of the next expiry.

Buying options helps in reducing the margins and we can benefit from Vega moves. The idea behind this strategy is to make money when the market is staying in the range till the near-term expiry by pocketing premium from the sold options. If the market moves anywhere after the near-term expiry, we can make money from the options bought.



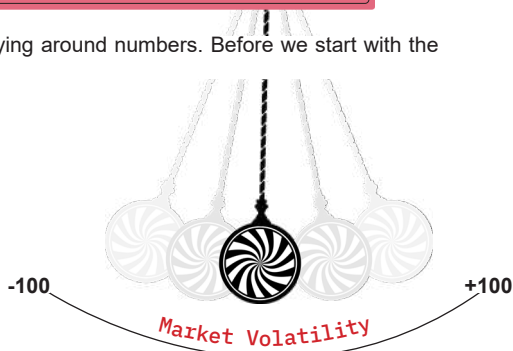
If you look at the chart, we are only profitable at the range extremes. If the market stays exactly it is today at the expiry, we would be in loss. To close this strategy in profits, we should book our trades on the expiry day whichever side the market moves. If the market moves near 18500 on the near-term expiry, we will exit from the 18000 PE of both current and next week expiry. We will exit from the put-side legs and buy one more call option of the 8th June 2023. This is also applicable when the market falls- exiting from the call-side legs and buying one more put option of 8th June 2023.

This is a conventional approach that everyone follows in the market. *But, I have tweaked this strategy to make the most out of it. I call it the “unconventional weekly hedged calendar spread” strategy.* The interesting fact is, I take Volatility Index into account while deploying this strategy.

CALENDAR SPREAD + INDIA VIX

The India VIX helps me get a range by playing around numbers. Before we start with the strategy, let's understand what India Vix is.

India Vix is a Volatility index for the Indian stock market. *With the help of India Vix, a trader can get a sense of the either side movement range of the market.* India Vix tells the percentage move of the market in a year. For example: The India Vix is at 13, which means, the market can move 13% from today in either direction.



In the above chart, you can see that the Nifty 50, according to India Vix, can travel to 13% on either side. The upside level for Nifty 50 is 20,680 and the downside level is 15,858.



THE STRATEGY

The idea is to eat premium in the current expiry and benefit from the Vega from the next expiry. To select the strike price, we will multiply current day's India Vix with 2 and look for the strike price of the premium as of the multiplied value for both call and put options, and buy options a bit expensive to the sold options.

THE EXECUTION

Take the value of the India vix and multiply it with 2.

VIX x 2

Current Expiry

> SELL

Sell call and put options of the current expiry whose CMP is equivalent to the twice of India Vix.

This is how you will get your defined trading range.



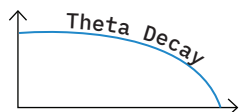
Next Expiry

> BUY

Buy call and put options of the next expiry but the premium of the options should be more than the premium of the sold options.

If you have sold 18,500 at 30, buy an option that costs you 32/33.

30, > BUY 32/33



Higher premium options of longer-term expiry can be bought since these options have less probability of Theta decay.

582.7	96.7	16.62	90.44	17750	-6.01	13.94	3.2	5.65
540	95.3	16.96	87.84	17800	-7.12	13.44	4.6	11.35
474.75	93.3	12.59	92.09	17850	-8.52	12.96	6.6	13.55
445.75	90.7	15.51	84.73	17900	-10.56	12.67	9.2	17.15
399.5	87.5	14.8	82.72	17950	-13.13	12.42	12.4	21.5
356	83.6	14.36	79.89	18000	-15.89	12	16	26.8
314.75	79.1	14.05	76.42	18050	-19.53	11.73	20.8	34
267.55	73.8	12.86	73.75	18100	-23.59	11.33	26.1	41.9
232.25	67.9	12.87	68.72	18150	-28.3	10.87	32	51.2
192.2	61.6	12.13	64.06	18200	-34.11	10.6	38.3	64.5
158.5	55	11.79	58.29	18250	-40.55	10.21	44.9	79.5
127.15	48.2	11.4	52	18300	-47.78	9.85	51.7	98.05
101.8	41.5	11.27	45.37	18350	-55.51	9.65	58.4	122
75.75	35.1	10.75	38.31	18400	-63.75	9.15	64.8	148.95
55	29	10.38	31.24	18450	-71.82	8.82	70.9	178
40.6	23.6	10.31	25.04	18500	-79.5	8.45	76.3	213
28	18.7	10.08	19.11	18550	-87.02	7.84	81.2	250.75
19.5	14.6	10.03	14.38	18600	-96.57	5.88	85.3	289.4
14.5	11.1	10.24	11.09	18650	0	0	88.8	332.5
8.6	8.2	9.91	7.36	18700	0	0	91.7	378.7
5.7	6	9.95	5.17	18750	0	0	93.9	433.5
4.05	4.2	10.15	3.78	18800	0	0	95.7	475
3.25	2.9	10.57	3.01	18850	0	0	97	495.7

356	83.6	14.36	79.89	18000	-15.89	12	B	S	26.8
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The India Vix is currently trading near 13. So, we decided to sell options with the LTP near to twice the India Vix. i.e. 26. The premium of 18,550 CE of 1st June 2023 is Rs.28 and the premium of 18000 PE is 26.8. From 18000 to 18,550, we have our trading range.

314.75	79	14.05	76.42	18050	-19.53	11.73	20.9	34
267.55	73.8	12.86	73.75	18100	-23.59	11.33	26.1	41.9
232.25	67.9	12.87	68.72	18150	-28.3	10.87	32	51.2
192.2	61.6	12.13	64.06	18200	-34.11	10.6	38.3	64.5
158.5	55	11.79	58.29	18250	-40.55	10.21	44.9	79.5
127.15	48.2	11.4	52	18300	-47.78	9.85	51.7	98.05
101.8	41.5	11.27	45.37	18350	-55.51	9.65	58.4	122
75.75	35.1	10.75	38.31	18400	-63.75	9.15	64.8	148.95
55	29	10.38	31.24	18450	-71.82	8.82	70.9	178
40.6	23.6	10.31	25.04	18500	-79.5	8.45	76.3	213
28	18.7	10.08	19.11	18550	-87.02	7.84	81.2	250.75
19.5	14.6	10.03	14.38	18600	-96.57	5.88	85.3	289.4
14.5	11.1	10.24	11.09	18650	0	0	88.8	332.5
8.6	8.2	9.91	7.36	18700	0	0	91.7	378.7
5.7	6	9.95	5.17	18750	0	0	93.9	433.5
4.05	4.2	10.15	3.78	18800	0	0	95.7	475
3.25	2.9	10.57	3.01	18850	0	0	97	495.7
2.9	2	11.15	2.59	18900	0	0	97.9	577
2.7	1.3	11.79	2.33	18950	-92.78	16.04	98.6	600.85
2.8	0.8	12.48	2.13	19000	0	0	99.1	673.3
2.55	0.5	13.19	2	19050	0	0	99.4	713.7
2.6	0.3	13.97	1.93	19100	0	0	99.6	766.05

28	S	B	10.08	19.11	18550	-87.02	7.84	81.2	250.75
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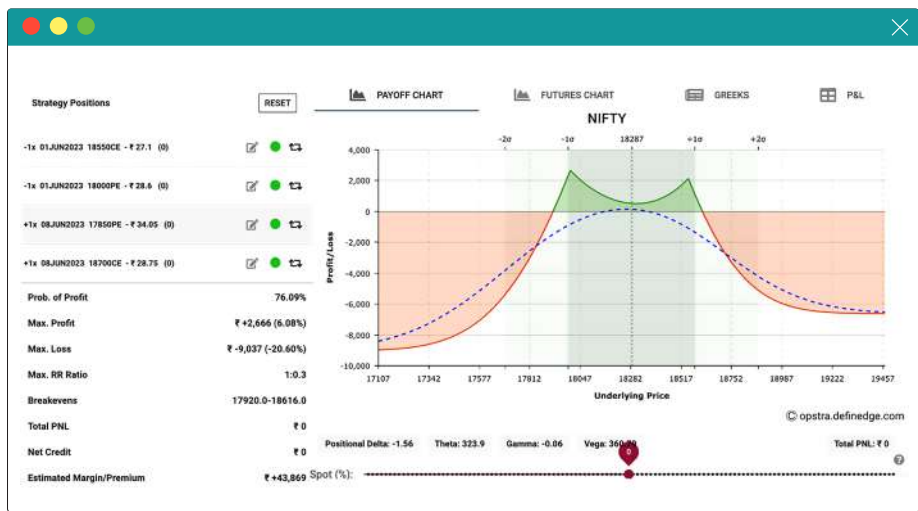
740	95.9	15.4	91.03	17600	-6.84	13.88	4	15.6
682.5	94.7	0	0	17650	-	-	-	-
692.95	93.1	18.04	84	17700	-9.02	13.28	6.8	29.45
705.3	91.3	23.11	76.56	17750	-10.57	13.11	8.6	24.65
579.05	89.1	14.6	84.82	17800	-12.17	12.83	10.8	28.45
623.95	86.5	22.43	73.24	17850	-13.97	12.54	0	33.15
486.35	83.5	13.5	81.68	17900	-16.15	12.31	16.4	31
438.3	80.2	12.7	80.19	17950	-18.69	12.11	19.7	40.1
401.25	76.4	12.87	76.73	18000	-21.52	11.89	23.5	54.2
365.5	72.4	12.99	73.15	18050	-24.46	11.54	27.5	62.2
321.15	68	12.27	70.52	18100	-28.04	11.34	31.9	73.3
282.9	63.4	11.34	66.94	18150	-31.92	11.09	36.5	85.5
249.5	58.5	11.84	62.78	18200	-36.17	10.84	41.3	99.5
218	53.6	11.72	58.4	18250	-40.88	10.68	46.3	116.95
184.5	48.7	11.32	53.92	18300	-45.83	10.45	51.2	135.6
157	43.7	11.17	49.1	18350	-51.04	10.33	56.2	156.6
120	38.9	10.19	43.65	18400	-56.61	9.83	61	178.5
111.55	34.2	11.02	39.4	18450	-62.19	9.65	65.7	206
85	29.8	10.4	33.86	18500	-67.89	9.36	70.1	235
66.95	25.7	10.19	28.86	18550	-73.5	9.08	74.2	267.1
50.8	21.9	9.92	23.92	18600	-79.52	8.55	78	299.7
37.95	18.4	9.7	19.41	18650	-84.53	8.26	81.5	338.15

623.95 86.5 22.43 73.24 17850 -13.97 12.54 B S 33.15

Now, we will hedge these options by buying options a bit expensive to 18,000 and 18,550. The 17,850 PE and 18,700 CE options are a bit expensive to the sold options. With these options, we will hedge our strategy and reduce margins.

282.9	63.4	11.94	66.94	18150	-31.92	11.09	36.5	85.5	
249.5	58.6	11.84	62.78	18200	-36.17	10.84	41.3	99.5	
218	53.6	11.72	58.4	18250	-40.88	10.68	46.3	116.95	
184.5	48.7	11.32	53.92	18300	-45.83	10.45	51.2	135.6	
157	43.7	11.17	49.1	18350	-51.04	10.33	56.2	156.6	
120	38.9	10.19	43.65	18400	-56.61	9.83	61	178.5	
111.55	34.2	11.02	39.4	18450	-62.19	9.65	65.7	206	
85	29.8	10.4	33.86	18500	-67.89	9.36	70.1	235	
66.95	25.7	10.19	28.86	18550	-73.5	9.08	74.2	267.1	
50.8	21.9	9.92	23.92	18600	-79.52	8.55	78	299.7	
37.95	18.4	9.7	19.41	18650	-84.53	8.26	81.5	338.15	
28.6	S	N	9.61	15.62	18700	-89.73	7.69	84.5	377.55
22.5	12.6	9.7	12.76	18750	-90.84	8.31	87.3	424.75	
16.3	10.3	9.59	9.87	18800	-86.54	11.17	89.6	491.45	
13	8.3	9.77	8.05	18850	0	0	91.6	499	
10.3	6.6	9.92	6.52	18900	0	0	93.3	560	
-	-	-	-	18950	0	0	94.7	523.4	
6.5	4	10.25	4.27	19000	-92.81	11.44	95.9	675	
125.1	2.3	26.39	22.81	19100	-	-	-	-	
4.6	1.7	11.35	2.89	19150	-	-	-	-	
4.7	0.6	13.06	2.6	19200	-	-	-	-	
3.4	0.4	12.95	1.97	19350	-	-	-	-	

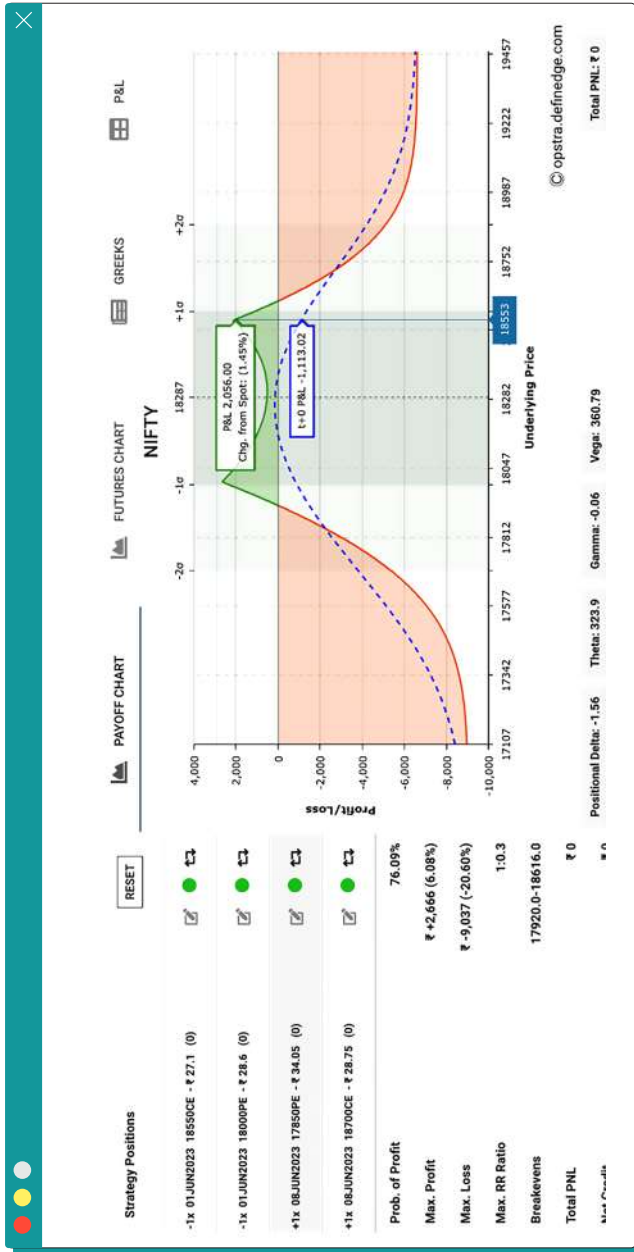
28.6 S B 9.61 15.62 18700 -89.73 7.69 84.5 377.55



The benefit of buying longer-term expiry is saving ourselves from Theta decay. In layman's language, selling the current-expiry will give us Theta decay benefit and buying longer-term expiry will make us profitable if the market moves in either direction after the current expiry. Till the current expiry, we will eat premium and after that, we will benefit from options buying.

No strategy is perfect in itself. Every strategy contains some sort of risk, but the risk can be reduced by "Adjustments". *Adjustments in any strategy is done to reduce the risk and increase profitability. In my strategy we will do some adjustments with an unconventional approach. I am confident that you will not find these adjustment methods anywhere else.*

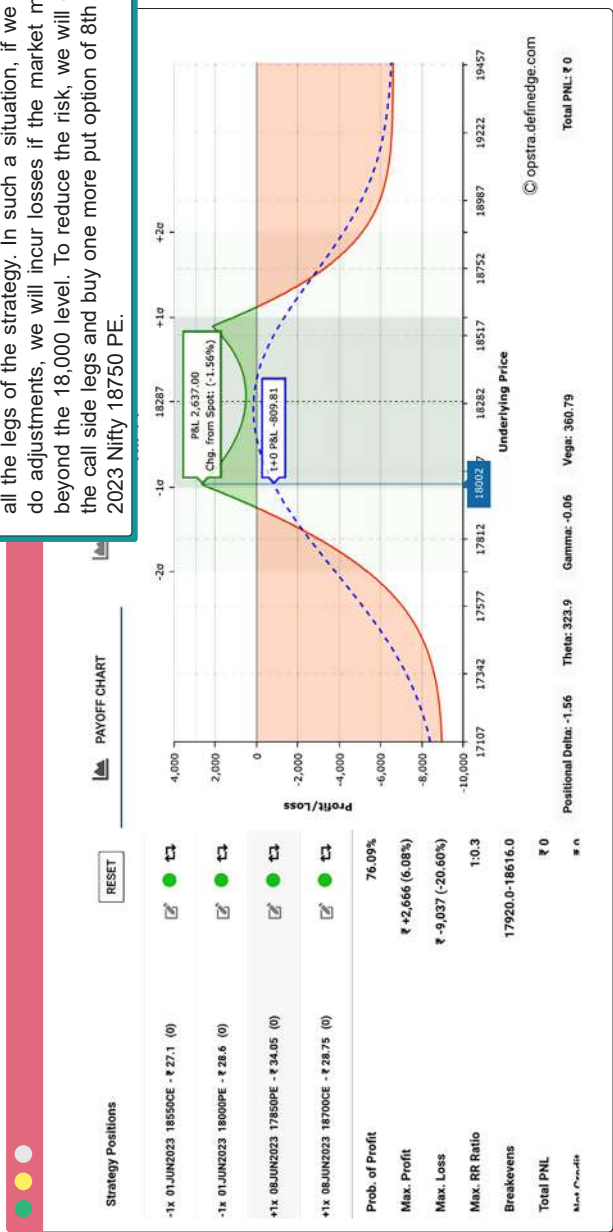
ADJUSTMENTS



The time horizon for this strategy is a week. If the market quickly moves to 18,553, we will have the maximum profits. If the market moves beyond the 18,553 level, we will have losses. Now, we still have a few days to close all the legs of this strategy. To reduce the risk when the market moves beyond 18,553, we will exit from the put-side legs and sell one put option of the 8th June 2023 whose premium is equivalent to the premium of the bought call option of the same expiry. This is also applicable when the market falls- exiting from the call-side legs and selling one more call option of 8th June 2023 whose premium is equivalent to the premium of bought put option of the same expiry.



Let's consider if the market falls suddenly and gets near the 18,000 level and we are still left with a few days to close all the legs of the strategy. In such a situation, if we don't do adjustments, we will incur losses if the market moves beyond the 18,000 level. To reduce the risk, we will close the call side legs and buy one more put option of 8th June 2023 Nifty 18750 PE.



In both the cases above, there is a possibility of market pivoting after adjustments. Adding one more option will also increase the risk as we have Theta decay working against us. In such adverse scenarios, it is always preferable to close all the legs once we have incurred 75% of the total loss. For example, the maximum loss in this strategy is Rs. 5000. So, we will book our loss when there is a loss of Rs. 3,750 in the P&L. Adjustments can lead to extra brokerage charges. This is why, to save the remaining money, we will not wait for the market to book 100% of the total loss. Rather, we will book once we incur 75% of the total loss.

6.2

MULTI TIME OPTION STRATEGY



Strategy video



9:16 AM



10:16 AM



11:16 AM



12:16 PM

In this chapter, we are going to talk about an option selling strategy. This chapter tells you the power of splitting your trades into different time zones. This option selling strategy can give you a steady source of income when executed properly so read carefully.

INTRODUCTION



Deciding the optimal time and entry point is one of the toughest challenges that options trading presents. Rather than trying to pinpoint one specific time to enter trades, a more effective approach is to divide entries across multiple time frames.

Implementing a strategy at different times during a day allows you to capitalize on varying market conditions. In this chapter, we are going to explore an option selling strategy and how deploying it at various intervals can enhance your returns.

But before we dive into the strategy, let us talk about what option selling actually is and what are the benefits it has over option buying.



OPTIONS SELLING AND ITS BENEFITS

Option Selling involves writing or shorting options contracts to other market participants in order to earn its premium.

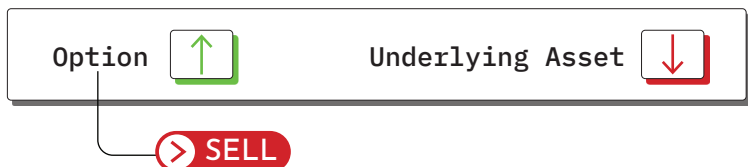


When you sell an option, you receive a premium from the buyer and hence you take on the obligation to buy (in the case of a put option) or sell (in the case of a call option) the underlying asset at a particular strike price if the buyer decides to execute the option.

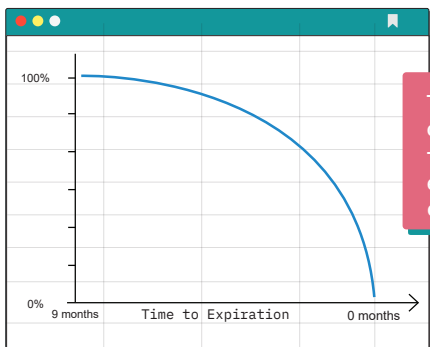
This strategy is often deployed by traders who think that the market is not going to move significantly and is likely to stay within a range. The benefits of option selling over option buying include.

1) HIGHER CHANCES OF SUCCESS

Options sellers keep the premium as long as the option does not go against their direction significantly. You see, in options selling, there is no need for the underlying asset to move in the favor of a seller. A seller earns money even if the underlying asset goes sideways.



2) TIME DECAY

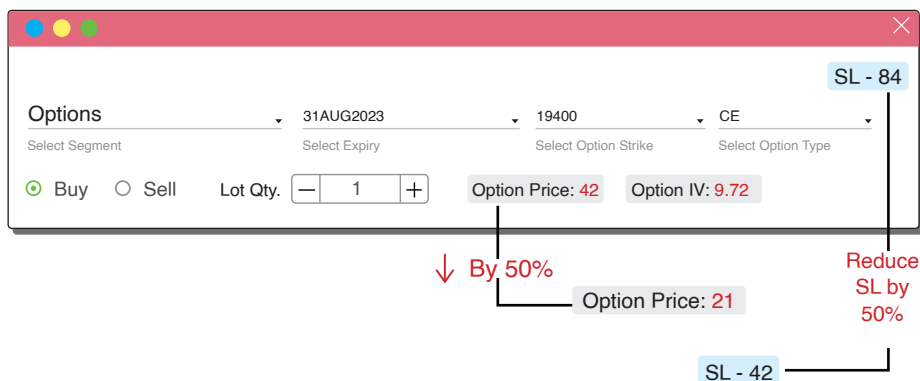


Time decay works in the favor of option sellers. For option buyers, time decay causes a loss in the extrinsic value of an option contract.

Options selling provides a method for traders to take high probability trades and earn consistent income. These advantages make it an attractive alternative to buying options which have lower odds of profitability comparatively. Now let's talk about the Multi Time Option Strategy.

MULTI TIME OPTION STRATEGY

This option selling strategy involves selling out of money Nifty weekly calls and puts that are priced anywhere around Rs. 40. Our initial stoploss will be set at 100% of the premium received. Meaning, if we sell a call option for Rs. 42, our initial stoploss would be placed at Rs. 84. Conversely, if we sell a put option at Rs. 45, our initial stoploss would be Rs. 90.



Once the trade starts turning in our favor and the option premium declines by 50% from the entry price and we will reduce the stoploss by 50%. For example, if the call option's premium drops to Rs. 21, we will trail our stoploss from Rs. 84 to Rs. 42. This helps in minimizing risks and locks in the potential profit.

Another rule for this strategy is that all the trades will be exited by 3:15 p.m. on the day of entry. We are not going to hold any contracts overnight as this is not a rollover strategy.



OPTIMIZING RETURNS USING MULTIPLE TIME FRAMES

I have back tested this strategy at 4 different times of the day to test its effectiveness in the live market. I have sold both the call and put option at 4 different times of the day – 9:16 a.m.; 10:16 a.m.; 11:16 a.m.; and 12:16 p.m.; respectively.

The data below is compiled over 3 years and it reveals that while the strategy is still profitable when executed at a specific time, the results vary significantly based on the entry time. Observe each of the images carefully.

This is the result for 9:16 AM.



9:16 a.m.

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
Index	EntryDate	EntryWeek	EntryTime	EntryPrice	Instrument	StrikePrice	Position	ExitTime	ExitPrice	P/L	DD				
1061.1	02/06/23	Friday	9:16:00	38.8	PE	18400	Sell	15:15:00	27.35	11.45	-50.35				
1061.2	02/06/23	Friday	9:16:00	42.8	CE	18700	Sell	15:15:00	31	11.8	-38.55				
1062.1	05/06/23	Monday	9:16:00	41.9	PE	18550	Sell	15:15:00	38.15	3.75	-34.8				
1062.2	05/06/23	Monday	9:16:00	32.1	CE	18750	Sell	15:15:00	19.85	12.25	-22.55				
1063.1	06/06/23	Tuesday	9:16:00	43.05	PE	18550	Sell	15:15:00	26.15	16.9	-5.65				
1063.2	06/06/23	Tuesday	9:16:00	43.45	CE	18650	Sell	15:15:00	36.05	7.4	0				
1064.1	07/06/23	Wednesday	9:16:00	42.15	PE	18650	Sell	15:15:00	17.35	24.8	0				
1064.2	07/06/23	Wednesday	9:16:00	30.85	CE	18700	Sell	15:01:00	61.7	-80.85	-80.85				
1065.1	08/06/23	Thursday	9:16:00	38.9	PE	18750	Sell	11:56:00	58.35	-19.45	-50.3				
1065.2	08/06/23	Thursday	9:16:00	30.5	CE	18750	Sell	15:15:00	0.15	30.35	-19.95				
1066.1	09/06/23	Friday	9:16:00	42.75	PE	18550	Sell	15:15:00	64.5	-21.75	-41.7				
1066.2	09/06/23	Friday	9:16:00	41.45	CE	18800	Sell	15:15:00	17.35	24.1	-17.6				
1067.1	12/06/23	Monday	9:16:00	36.7	PE	18500	Sell	15:15:00	24.35	12.35	-5.25				
1067.2	12/06/23	Monday	9:16:00	42.45	CE	18700	Sell	15:15:00	40.75	1.7	-3.55				
1068.1	13/06/23	Tuesday	9:16:00	42.25	PE	18650	Sell	15:15:00	27.5	19.75	0				
1068.2	13/06/23	Tuesday	9:16:00	36.25	CE	18750	Sell	15:15:00	41.6	5.35	5.35				
1069.1	14/06/23	Wednesday	9:16:00	31.15	PE	18700	Sell	15:15:00	21	10.15	0				
1069.2	14/06/23	Wednesday	9:16:00	49.3	CE	18750	Sell	15:15:00	50.3	-1	-1				
1070.1	15/06/23	Thursday	9:16:00	42	CE	18750	Sell	14:23:00	63	-21	-22				
1070.2	15/06/23	Thursday	9:16:00	27.45	CE	18750	Sell	10:21:00	54.9	-27.45	-49.45				
1071.1	16/06/23	Friday	9:16:00	44.45	PE	18650	Sell	15:15:00	21.75	22.7	-26.75				
1071.2	16/06/23	Friday	9:16:00	43.3	CE	18850	Sell	14:20:00	86.8	-43.5	-70.25				
1072.1	19/06/23	Monday	9:16:00	43.75	PE	18800	Sell	13:21:00	87.5	-43.75	-114				
1072.2	19/06/23	Monday	9:16:00	40.8	CE	18950	Sell	15:15:00	16.9	23.9	-40.1				
1073.1	20/06/23	Tuesday	9:16:00	39.4	PE	18700	Sell	15:15:00	15.5	24.2	-45.9				
1073.2	20/06/23	Tuesday	9:16:00	45.8	CE	18800	Sell	15:12:00	67.95	-22.85	-88.55				
1074.1	21/06/23	Wednesday	9:16:00	39.85	PE	18800	Sell	15:15:00	17.3	22.55	-66				
1074.2	21/06/23	Wednesday	9:16:00	42.35	CE	18850	Sell	15:15:00	48.25	-5.9	-71.9				
										Total	4453.65				
										DD	427.95				
										Years	3.25				
										Yearly points	1370.354				
										Calmar	8.202135				
										for every 1 Rs risk, I can make 3.2 rs.					

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Index	EntryDate	EntryWeek	EntryTime	EntryPrice	Instrument	StrikePrice	Position	ExitTime	ExitPrice	P/L	DD		
12125	1062.2	05/06/23	Monday	10:16:00	46.3	CE	18700	Sell	15:15:00	33.45	12.85	-26.5	
12126	1063.1	06/06/23	Tuesday	10:16:00	45.95	PE	18550	Sell	15:15:00	26.15	19.8	-6.7	
12127	1063.2	06/06/23	Tuesday	10:16:00	36.05	CE	18650	Sell	15:15:00	36.05	0	-6.7	
12128	1064.1	07/06/23	Wednesday	10:16:00	39.4	PE	18650	Sell	15:15:00	17.25	22.15	0	
12129	1064.2	07/06/23	Wednesday	10:16:00	51	CE	18650	Sell	15:15:00	93.85	-42.85	-42.85	
12130	1065.1	08/06/23	Thursday	10:16:00	37.1	PE	18750	Sell	15:15:00	53	-26.5	-60.35	
12131	1065.2	08/06/23	Thursday	10:16:00	34.05	CE	18750	Sell	15:15:00	0.15	33.9	-35.45	
12132	1066.1	09/06/23	Friday	10:16:00	45.45	PE	18550	Sell	15:15:00	64.5	-19.05	-54.5	
12133	1066.2	09/06/23	Friday	10:16:00	43.7	CE	18750	Sell	15:15:00	26.5	17.2	-37.3	
12134	1067.1	12/06/23	Monday	10:16:00	37	PE	18500	Sell	15:15:00	24.35	12.65	-24.65	
12135	1067.2	12/06/23	Monday	10:16:00	35.25	CE	18700	Sell	15:15:00	40.75	-5.5	-30.15	
12136	1068.1	13/06/23	Tuesday	10:16:00	35.55	PE	18650	Sell	15:15:00	27.5	8.05	-22.1	
12137	1068.2	13/06/23	Tuesday	10:16:00	42.1	CE	18750	Sell	15:15:00	41.6	0.05	-22.65	
12138	1069.1	14/06/23	Wednesday	10:16:00	45.5	PE	18700	Sell	15:15:00	21	24.5	0	
12139	1069.2	14/06/23	Wednesday	10:16:00	32.25	CE	18750	Sell	15:15:00	50.3	-18.05	-18.05	
12140	1070.1	15/06/23	Thursday	10:16:00	44.85	PE	18800	Sell	11:35:00	89.7	-44.85	-62.9	
12141	1070.2	15/06/23	Thursday	10:16:00	41.3	CE	18750	Sell	15:15:00	0.15	41.15	-21.75	
12142	1071.1	16/06/23	Friday	10:16:00	41.35	PE	18700	Sell	15:15:00	29.8	11.55	-10.2	
12143	1071.2	16/06/23	Friday	10:16:00	36.25	CE	18900	Sell	14:47:00	72.5	-36.25	-46.45	
12144	1072.1	19/06/23	Monday	10:16:00	36.75	PE	18750	Sell	15:15:00	42.9	4.15	-52.6	
12145	1072.2	19/06/23	Monday	10:16:00	47.5	CE	18800	Sell	15:15:00	28.25	19.25	-38.35	
12146	1073.1	20/06/23	Tuesday	10:16:00	37.7	PE	18650	Sell	15:15:00	9.65	28.05	-5.3	
12147	1073.2	20/06/23	Tuesday	10:16:00	42.95	CE	18750	Sell	15:04:00	85.9	-42.95	-48.25	
12148	1074.1	21/06/23	Wednesday	10:16:00	43.2	PE	18850	Sell	15:15:00	33.2	10	-38.25	
12149	1074.2	21/06/23	Wednesday	10:16:00	34.1	CE	18900	Sell	15:15:00	24.9	9.2	-29.05	
12150											Total	4090	
12151											DD	270.25	
12152											Years	3.25	
12153											Yearly point	1258.462	
12154											Calmar	4.656657	



10:16 a.m.

A	B	C	D	E	F	G	H	I	J	K	L	M	N
Index	Entry-Date	Entry-Week	Entry-Time	Entry-Price	Instrument	Strike	Position	ExitTime	ExitPrice	P/L	DD		
1064.2	07/06/23	Wednesday	11:16:00	51.9	CE	18650	Sell	15:15:00	93.85	-41.95	-57.4		
1065.1	08/06/23	Thursday	11:16:00	42.1	PE	18800	Sell	11:49:00	84.2	-42.1	-99.5		
1065.2	08/06/23	Thursday	11:16:00	36.85	CE	18750	Sell	15:15:00	0.15	36.7	-62.8		
1066.1	09/06/23	Friday	11:16:00	35.4	PE	18500	Sell	15:15:00	46.3	-10.9	-73.7		
1066.2	09/06/23	Friday	11:16:00	40.2	CE	18750	Sell	15:15:00	26.5	13.7	-60		
1067.1	12/06/23	Monday	11:16:00	42.55	PE	18550	Sell	15:15:00	36.05	6.5	-53.5		
1067.2	12/06/23	Monday	11:16:00	44.05	CE	18700	Sell	15:15:00	40.75	3.3	-50.2		
1068.1	13/06/23	Tuesday	11:16:00	34.25	PE	18850	Sell	15:15:00	27.5	6.75	-43.45		
1068.2	13/06/23	Tuesday	11:16:00	42.45	CE	18750	Sell	15:15:00	41.6	0.85	-42.6		
1069.1	14/06/23	Wednesday	11:16:00	38.45	PE	18700	Sell	15:15:00	21	12.45	-30.15		
1069.2	14/06/23	Wednesday	11:16:00	38	CE	18750	Sell	15:15:00	50.3	-12.3	-42.45		
1070.1	15/06/23	Thursday	11:16:00	27.8	PE	18750	Sell	14:15:00	55.6	-27.8	-70.25		
1070.2	15/06/23	Thursday	11:16:00	27.35	CE	18750	Sell	15:15:00	0.15	27.2	-43.05		
1071.1	16/06/23	Friday	11:16:00	43.15	PE	18700	Sell	15:15:00	29.8	13.35	-29.7		
1071.2	16/06/23	Friday	11:16:00	36.15	CE	18900	Sell	14:47:00	72.3	-36.15	-65.85		
1072.1	19/06/23	Monday	11:16:00	46.85	PE	18750	Sell	15:15:00	42.9	3.95	-61.9		
1072.2	19/06/23	Monday	11:16:00	34.15	CE	18900	Sell	15:15:00	28.25	5.9	-56		
1073.1	20/06/23	Tuesday	11:16:00	32.45	PE	18650	Sell	15:15:00	9.65	22.8	-33.2		
1073.2	20/06/23	Tuesday	11:16:00	44.3	CE	18750	Sell	15:05:00	88.6	-44.3	-77.5		
1074.1	21/06/23	Wednesday	11:16:00	49.1	PE	18800	Sell	15:15:00	17.3	31.8	-45.7		
1074.2	21/06/23	Wednesday	11:16:00	50	CE	18800	Sell	15:15:00	82.45	-32.45	-78.15		
Total										3808.45			
DD										205.55			
Years										3.25			
Yearly point										1171.831			
Calmar										5.700952			



11:16 a.m.



12:16 p.m.

A	B	C	D	E	F	G	H	I	J	K	L	M
Index	Entry-Date	Entry-Week	Entry-Time	Entry-Price	Instrument	Strike	Position	ExitTime	ExitPrice	P/L	DD	
1066.1	09/06/23	Friday	12:16:00	44.8	PE	18550	Sell	15:15:00	64.5	-19.7	-36.15	
1066.2	09/06/23	Friday	12:16:00	42	CE	18750	Sell	15:15:00	26.5	15.5	-20.65	
1067.1	12/06/23	Monday	12:16:00	42.35	PE	18550	Sell	15:15:00	36.05	6.3	-14.35	
1067.2	12/06/23	Monday	12:16:00	41.4	CE	18700	Sell	15:15:00	40.75	0.65	-13.7	
1068.1	13/06/23	Tuesday	12:16:00	47.8	PE	18700	Sell	15:15:00	43.25	4.55	-9.15	
1068.2	13/06/23	Tuesday	12:16:00	43.6	CE	18750	Sell	15:15:00	41.6	2	-7.15	
1069.1	14/06/23	Wednesday	12:16:00	46.85	PE	18750	Sell	15:15:00	36.95	9.9	0	
1069.2	14/06/23	Wednesday	12:16:00	44.55	CE	18750	Sell	15:15:00	50.3	-5.75	-5.75	
1070.1	15/06/23	Thursday	12:16:00	38.75	PE	18750	Sell	14:15:00	58.1	-19.35	-25.1	
1070.2	15/06/23	Thursday	12:16:00	42.6	CE	18700	Sell	15:15:00	0.4	42.2	0	
1071.1	16/06/23	Friday	12:16:00	41.3	PE	18700	Sell	15:15:00	29.8	11.5	0	
1071.2	16/06/23	Friday	12:16:00	36.75	CE	18900	Sell	14:47:00	73.5	-36.75	-36.75	
1072.1	19/06/23	Monday	12:16:00	45	PE	18750	Sell	15:15:00	42.9	2.1	-34.65	
1072.2	19/06/23	Monday	12:16:00	36.2	CE	18900	Sell	15:15:00	28.25	7.95	-26.7	
1073.1	20/06/23	Tuesday	12:16:00	44.05	PE	18700	Sell	15:15:00	15.2	28.85	0	
1073.2	20/06/23	Tuesday	12:16:00	31.65	CE	18800	Sell	15:09:00	63.3	-31.65	-31.65	
1074.1	21/06/23	Wednesday	12:16:00	35.8	PE	18800	Sell	15:15:00	17.3	18.5	-13.15	
1074.2	21/06/23	Wednesday	12:16:00	37.6	CE	18850	Sell	15:15:00	48.25	-10.65	-23.8	
Total										3785.7		
DD										233.85		
Years										3.25		
Yearly point										1164.831		
Calmar										4.981102		

The image above shows executing one lot at each specific time. For example, selling one lot of both call and put options at 9:16 a.m., 10:16 a.m., 11:16 a.m., and 12:16 p.m.

The Calmar ratio below the yearly points measures the average annual return divided by the max drawdown.

$$\text{Calmar Ratio} = \frac{\text{Average Annual Rate of Return}}{\text{Maximum Drawdown}}$$

In simple words, the Calmar ratio shows the potential reward for every Rs. 1 you risk. For example,

If you risk one Rs. 1

Your potential reward will be ₹3.2 when executed at 9:16 a.m.

Total	4090
DD	270.25
Years	3.25
Yearly poin	1258.462
Calmar	4.656657

10:16 a.m.

Total	3808.45
DD	205.55
Years	3.25
Yearly poin	1171.831
Calmar	5.700952

11:16 a.m.

Highest Calmar ratio

Total	4453.65
DD	427.95
Years	3.25
Yearly points	1370.354
Calmar	3.202135

9:16 a.m.

Lowest Calmar ratio

Total	3785.7
DD	233.85
Years	3.25
Yearly poin	1164.831
Calmar	4.981102

12:16 p.m.

At 9:16 a.m. the calmar ratio was 3.2 but after an hour at 10:16 a.m., the Calmar ratio improved to 4.6; at 11:16 a.m., It rose further to 5.7 but declined to 4.9 at 12:16 p.m. If we look at the time individually, 11:16 a.m. provided the best risk-adjusted returns based on long-term backtesting. However, relying on a single optimal time frame is still risky as markets are uncertain.

If you are planning for 4 lots, a more reliable approach is to split one lot of calls and put options across all the 4-time frames each. For example, 1 at 9:16 a.m., 1 at 10:16 a.m., another at 11:16 a.m. and the last one at 12:16 p.m. You will be shocked to know that this multi time strategy provides with the best Calmar ratio. The Calmar ratio of this strategy comes at 8.2, almost double of the best individual time frame. Look at the image below.

A	B	C	D	E	F	G	H	I	J	K	L	M
Index	Entry-Date	Entry-Week	Entry-Time	Entry-Price	Instrument	StrikePrice	Position	ExitTime	ExitPrice	P/L	DD	
1071.2	16/06/23	Friday	10:16:00	36.25	CE	18900	Sell	14:47:00	72.5	-36.25	-89.15	
1071.1	16/06/23	Friday	11:16:00	43.15	PE	18700	Sell	15:15:00	29.8	13.35	-75.8	
1071.2	16/06/23	Friday	11:16:00	36.15	CE	18900	Sell	14:47:00	72.3	-36.15	-111.95	
1071.1	16/06/23	Friday	12:16:00	41.3	PE	18700	Sell	15:15:00	29.8	11.5	-100.45	
1071.2	16/06/23	Friday	12:16:00	36.75	CE	18900	Sell	14:47:00	73.5	-36.75	-137.2	
1072.1	19/06/23	Monday	9:16:00	43.75	PE	18800	Sell	13:21:00	87.5	-43.75	-180.95	
1072.2	19/06/23	Monday	9:16:00	40.8	CE	18950	Sell	15:15:00	16.9	23.9	-157.05	
1072.1	19/06/23	Monday	10:16:00	36.75	PE	18750	Sell	15:15:00	42.9	-6.15	-163.2	
1072.2	19/06/23	Monday	10:16:00	47.5	CE	18900	Sell	15:15:00	28.25	19.25	-143.95	
1072.1	19/06/23	Monday	11:16:00	46.85	PE	18750	Sell	15:15:00	42.9	3.95	-140	
1072.2	19/06/23	Monday	11:16:00	34.15	CE	18900	Sell	15:15:00	28.25	5.9	-134.1	
1072.1	19/06/23	Monday	12:16:00	45	PE	18750	Sell	15:15:00	42.9	2.1	-132	
1072.2	19/06/23	Monday	12:16:00	36.2	CE	18900	Sell	15:15:00	28.25	7.95	-124.05	
1073.1	20/06/23	Tuesday	9:16:00	39.4	PE	18700	Sell	15:15:00	15.2	24.2	-99.85	
1073.2	20/06/23	Tuesday	9:16:00	45.3	CE	18800	Sell	15:12:00	67.95	-22.65	-122.5	
1073.1	20/06/23	Tuesday	10:16:00	37.7	PE	18650	Sell	15:15:00	9.65	28.05	-94.45	
1073.2	20/06/23	Tuesday	10:16:00	42.95	CE	18750	Sell	15:04:00	85.9	-42.95	-137.4	
1073.1	20/06/23	Tuesday	11:16:00	32.45	PE	18650	Sell	15:15:00	9.65	22.8	-114.6	
1073.2	20/06/23	Tuesday	11:16:00	44.3	CE	18750	Sell	15:05:00	88.6	-44.3	-158.9	
1073.1	20/06/23	Tuesday	12:16:00	44.05	PE	18700	Sell	15:15:00	15.2	28.85	-130.05	
1073.2	20/06/23	Tuesday	12:16:00	31.65	CE	18800	Sell	15:09:00	63.3	-31.65	-161.7	
1074.1	21/06/23	Wednesday	9:16:00	39.85	PE	18800	Sell	15:15:00	17.3	22.55	-139.15	
1074.2	21/06/23	Wednesday	9:16:00	42.35	CE	18850	Sell	15:15:00	48.25	-5.9	-145.05	
1074.1	21/06/23	Wednesday	10:16:00	43.2	PE	18850	Sell	15:15:00	33.2	10	-135.05	
1074.2	21/06/23	Wednesday	10:16:00	34.1	CE	18900	Sell	15:15:00	24.9	9.2	-125.85	
1074.1	21/06/23	Wednesday	11:16:00	49.1	PE	18800	Sell	15:15:00	17.3	31.8	-94.05	
1074.2	21/06/23	Wednesday	11:16:00	50	CE	18800	Sell	15:15:00	82.45	-32.45	-126.5	
1074.1	21/06/23	Wednesday	12:16:00	35.8	PE	18800	Sell	15:15:00	17.3	18.5	-108	
1074.2	21/06/23	Wednesday	12:16:00	37.6	CE	18850	Sell	15:15:00	48.25	-10.65	-118.65	
										Total	16137.8	
										DD	603.8	
										Years	3.25	
										Yearly points	4965.477	
										Calmar	8.223711	

Though the overall profits got lowered compared to 11:16 a.m., the drawdown was significantly reduced by spreading each lot across all time frames.

CONCLUSION

Timing the market is impossible even with rigorous backtesting. This is why a much more reliable way to trade is to spread your entries across different time periods. This multi time option trading approach capitalizes on various opportunities throughout the day.

Splitting your trades across different time periods also minimizes drawdown which leads to enhanced Calmar ratio compared to trading at a single time frame. This way, traders can reduce volatility and optimize risk-adjusted returns.



Backtested results

6.3

OPTION BUYING USING OPEN INTEREST



Strategy video

This chapter is for all the option buying enthusiasts out there. In this chapter, we are going to talk about buying options with the help of open interest. This is an intraday strategy which will be executed and exited in the early half of the market itself, so do read carefully.

INTRODUCTION

Options

31AUG2023

Select Segment

Select Expiry

☒ Buy
 ☐ Sell
 Lot Qty.

- 1 +

Generally, options trading strategies involve either buying or selling option contracts. **Buying options** is considered to be amongst one of the riskiest jobs a trader can do.

The reward in option buying is unlimited on the upper side if the underlying asset moves in your favor. This chapter explores a tactical approach towards option buying which utilizes open interest to identify potential entry points.

However, before we talk about the strategy, let us get familiar with the terms like option buying and open interest.

	B		
Prob. of Profit	xx.xx%		
Max. Profit	Unlimited		
Max. Loss	(-xxx.xx%)		
Max. RR Ratio	xx		
Breakevens	xxxxx.x		
Total PNL	xxxxx.x		
Net Credit	x		
Estimated Margin/Premium	+xxxx		



UNDERSTANDING OPTIONS BUYING

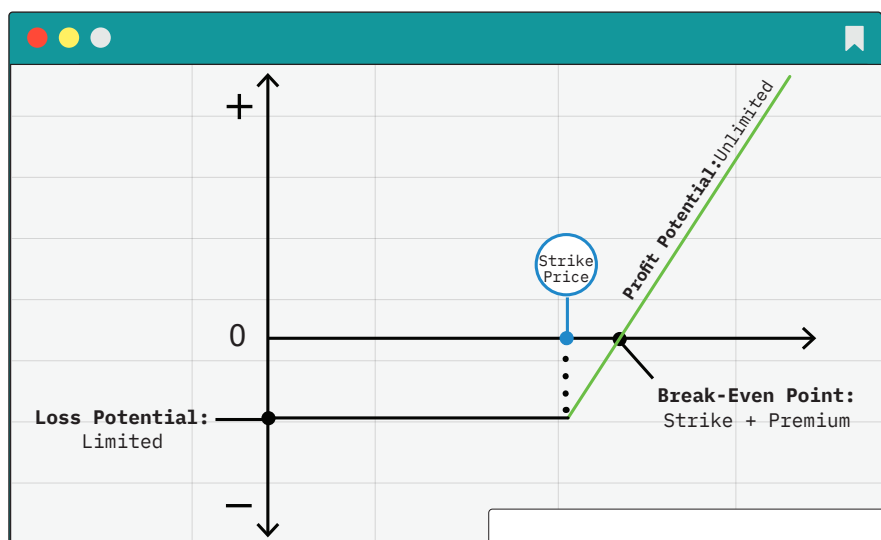


Option buying refers to the purchase of a call or a put option. Another term that traders use is “going long”. Traders purchase these contracts in order to speculate on the direction of an underlying asset which the option contract is covering.

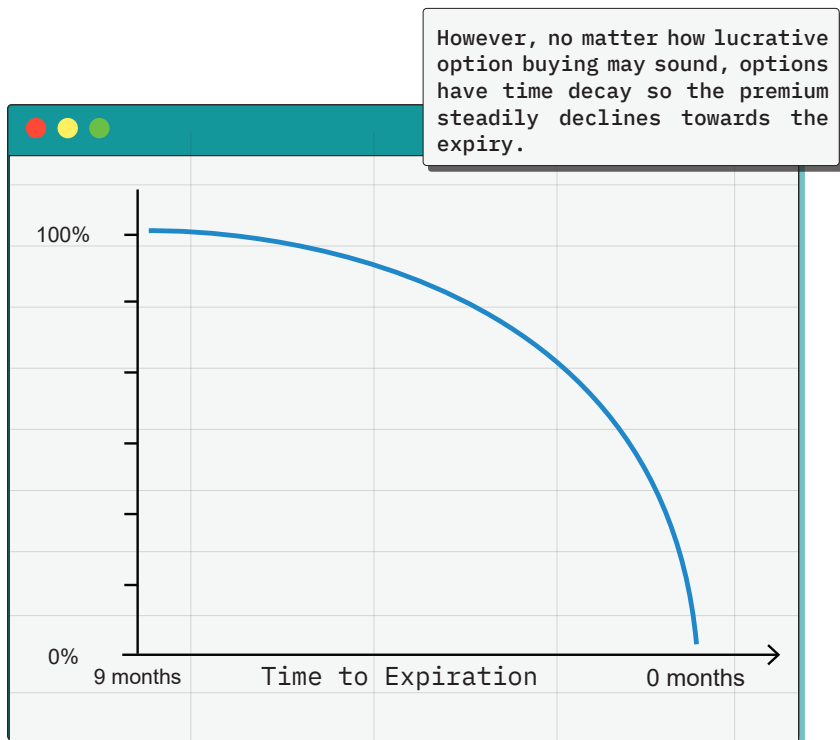
“I am going long on Nifty 50 today!”



Call option contracts give its buyer the right to purchase the asset at the strike price before expiry while put option contracts give its buyer the right to sell the asset at the strike price before expiry. The prime advantage of option buying is the built-in leverage from controlling a large position by paying a smaller premium.



The profit potential in option buying is unlimited, while the maximum loss is limited to the premium paid.



This is why buying options generally has low odds of success unless properly timed and optimizing entry is very crucial.

Now that you are familiar with option buying, let us talk about the option chain.



WHAT IS OPEN INTEREST?

Open interest (OI) is the measurement of the total number of outstanding option contracts in the market that are open i.e. the contracts which are not closed yet because of expiry, exercise or settlement. Option Chain or Open Interest shows the flow of money into option strikes.

OPTION CHAIN							OPTION GREEKS						
CALLS							PUTS						
Chng	OI	Volume	ITM Prob.	IV	LTP	CHNG	STRIKE	CHNG	LTP	IV	ITM Prob.	Volume	OI
438	50967	739455	73.1	10.82	171.05	46	19200	-44.1	25.05	10.84	26.8	1494016	209564
747	56495	1042298	65.7	10.61	133.1	36.6	19250	-52.85	36.9	10.6	34.2	1350297	112550
1518	230743	3077032	57.7	10.4	99.4	26.55	19300	-62.05	53.2	10.38	42.2	2424382	256977
1516	119177	1469060	49.3	10.31	71.6	18.45	19350	-70.65	75.2	10.26	50.6	748279	70340
004	213045	1388269	41	10.23	49.25	11.05	19400	-78.25	103	10.2	58.9	558253	97918
1458	123800	733934	33.1	10.24	32.7	5.55	19450	-88.05	136.05	10.15	66.8	92153	24066
1414	271612	1073920	25.8	10.32	21.1	1.9	19500	-92.65	174.7	10.26	74.1	179663	75663

Source: Opstra.definedge.com

A rising open interest means that new contracts are being created on a certain strike price by an increase in the buying or selling of options. Declining open interest means that the existing contracts are being closed out or they are expiring. Traders monitor open interest as it reveals important derivative trading activity.

Let's dive into the main part now.

OPTION BUYING USING THE OPEN INTEREST

This intraday strategy involves the buying of options based on spikes in the open interest. In this strategy, we will be looking at the Nifty 50 option chain. You can find the option chain easily by visiting NSE'S (National Stock Exchange) website.

- We will analyze the Nifty 50 option chain at market open, somewhere around 9:20 a.m.
- Next, we have to look at the put and call option strikes with the highest open interest.
- The fundamental assumption here is that the high open interest strike prices act as the dynamic support and resistance levels.
- Because traders selling at those levels want to defend these strike prices.



Indicators



Alert



Replay



Look at the image below.

Here, the 19,300 put option and the 19,500 call options have the highest open interest. Meaning, these strike prices will act as the dynamic support and resistance levels. We will only monitor these two strike prices now.

Source: www.nseindia.com/option-chain

OI	CHNG IN OI	VOLUME	IV	CALLS	PUTS	LTP	CHNG	BID QTY	ASK QTY	BID	ASK	BID QTY	ASK QTY	STRIKE	BID QTY	ASK QTY	BID	ASK	BID QTY	ASK QTY	CHNG LTP	IV	VOLUME	CHNG LTP	OI
14.081	-99	562	27.15	668.55	33.75	100	659.15	659.75	56	18.720.00	32.450	5.45	8.50	2.550	-0.90	8.50	26.79	220.250	1.870	1.05.268					
3.286	16	250	23.77	610.50	36.50	100	606.50	610.60	100	18.750.00	5.000	6.85	6.90	8.600	1.05	6.85	25.56	1.21.976	3.687	47.786					
12.294	-903	1,590	25.11	562.40	31.85	100	560.20	561.45	100	18.800.00	25.400	7.45	7.90	4.250	-1.40	7.90	24.05	3.03.122	-15.945	1.17.237					
6.599	-251	803	23.59	512.50	21.50	100	514.85	511.75	50	18.850.00	17.500	8.10	8.15	10.500	-1.70	8.15	22.79	1.74.328	-973	46.136					
29.650	1,852	4,317	20.35	462.40	26.30	50	461.55	461.90	200	18.900.00	9,300	8.90	8.95	15,000	2.76	8.95	21.37	5.67.809	18,077	1.56.476					
6.145	-428	1,299	19.42	413.00	26.40	700	412.40	412.60	400	19.320.00	8,850	9.55	9.90	7,050	-2.90	9.90	19.83	2.03.730	-1,452	50.976					
8.130	-572	4,462	16.12	314.80	25.05	36	314.40	314.95	100	19.950.00	50	12.35	12.40	12,150	-4.70	12.40	17.05	2.87.045	1,545	63.120					
20.497	-2,024	40,593	15.28	266.50	24.20	950	266.25	266.50	3,150	19.320.00	5,950	14.60	14.65	3,950	-6.20	14.65	15.81	3.97.009	4,041	1,30.422					
14.871	371	44,287	14.17	219.55	22.05	1,300	219.00	220.45	200	19.150.00	4,600	17.85	17.90	5,050	8.50	17.85	14.58	4.76.905	3,746	74.655					
96.552	-1,090	2,81,399	12.32	173.65	16.05	1,250	173.65	173.90	50	19.200.00	9,900	27.25	27.30	7,850	-11.90	27.30	13.54	9.49.830	1,028	1,09.213					
93.979	-954	2,92,904	12.49	134.55	16.05	200	134.80	134.95	350	19.250.00	6,400	31.65	31.75	3,050	-15.80	31.75	12.66	7.57.811	33,104	93.110					
136.922	3,700	1,52,697	11.75	92.85	11.90	1,450	97.80	97.85	330	19.350.00	1,400	45.25	45.25	4,300	-10.93	45.40	12.14	10.62.722	97,779	2.43.800					
134.248	39,408	1,00,504	11.49	82.65	7.65	1,100	87.45	87.65	3,300	19.350.00	4,450	64.65	64.80	2,850	23.80	64.70	11.69	12.14.497	357,599	84,536					
230.278	82,944	21,22,885	11.25	43.75	3.95	150	43.95	43.75	200	19.400.00	50	90.90	91.10	300	-20.60	90.95	11.60	14.64.453	32,572	92,468					
109.021	28,328	10,30,595	11.10	29.85	1.85	3,500	29.85	29.90	3,050	19.450.00	730	122.75	122.90	50	-90.90	122.75	11.47	2.95.187	12,613	15,006					
738.118	35,048	1,46,103	11.97	19.95	0.40	8,500	19.95	19.95	8,250	19.500.00	50	167.15	167.30	50	87.35	162.10	11.56	3.45.511	13,549	78,144					
99.291	16,099	6,32,408	11.40	5.05		7,150	9.05	9.10	150	19.350.00	1,450	209.20	209.75	950	-71.35	209.80	11.88	49.308	1,977	2,929					
130.987	16,717	6,84,028	12.28	6.55	0.18	24,700	6.05	6.18	20,550	20.550.00	50	233.40	233.75	500	30.50	233.85	12.34	44,010	2,585	4,999					
84.081	13,996	3,27,205	12.79	4.35	0.10	6,750	4.25	4.30	27,400	19.650.00	200	301.70	301.90	50	37.25	301.70	14.01	5,048	148	745					
90.292	7,702	3,86,242	13.08	3.25	0.25	44,000	3.25	3.30	90,000	19.700.00	1,200	390.00	391.40	1,200	-20.45	391.10	15.23	7,540	1,199	1,624					
88.439	15,365	1,75,348	14.77	2.35	0.35	39,600	2.70	2.75	15,750	19.750.00	50	398.85	399.40	50	85.85	398.20	12.63	654	78	185					
78.124	15,014	3,33,176	15.86	2.39	0.40	42,000	2.26	2.40	85,500	19.800.00	50	448.70	449.30	150	-33.25	448.60	17.88	1,410	167	1,066					
17.381	-7,632	88,646	17.01	2.10	0.30	21,200	2.05	2.10	39,100	19.850.00	700	498.55	499.00	550	-99.20	498.65	18.41	69	15	48					
51.950	18,149	1,44,294	18.25	1.95	0.50	86,400	1.80	1.95	83,550	19.900.00	650	548.40	550.25	100	28.50	548.00	21.16	147	-41	128					

The premium prices of both of the option contracts at 9:20 a.m. are Rs. 45 for the 19300 put option and Rs. 15 for the 19,500 call option respectively.

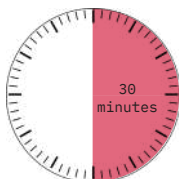
In this strategy, we will look for a breakout. Meaning, we will look for a 10% increase in any of the above premiums. So, if the 19,300 put option rises to Rs.50 or the 19,500 call option rises to Rs.16.50, we will buy that option contract. The reason behind this is that an upside momentum in this option signals a potential rush amongst the short sellers to cover their positions.

SL - 20% of entry premium

Our stoploss will be at the 20% of the entry premium. For example, for a 19,300 put option of Rs.50, the stoploss will be Rs.10.

We will cover positions in profit when the trade has given us a risk to reward ratio of 1:2. Meaning, if we are risking Rs. 10, the aim will be to earn Rs.20.

Risk Rewards Ratio - 1:2



Another thing to remember is that the holding period will be for 30 minutes only. As the markets are volatile early morning, we will execute and cover our trades within 30 minutes. So, there are 3 defined exits in this strategy – Stoploss, target or time-based exit in 30 minutes.

BENEFITS OF THE OPEN INTEREST STRATEGY

Capitalizes on high OI strike levels that are acting as the dynamic support/resistance.

Identifies momentum based on breakout signals.

Potential profit by capturing the explosive moves on both of the sides.

Sets a stoploss to limit potential loss on purchased options.

30 minutes holding period in order to capture rapid swings.

By targeting option contracts that are surging OI and entering on the breakouts, you can benefit from the swift directional moves of the underlying asset.





CONCLUSION



Option buying is inherently risky because it is quite volatile and beginners should observe the premiums before taking actual trades.

This trading strategy aims to maximize rewards while defining risks through stoploss and time-based exit. This way, you can identify highly traded options through OI and enter on breakouts that signal momentum.

6.4

SUPERTREND SELLING



Strategy video

This chapter talks about an intraday option selling strategy. In this strategy, we will be using a very well-known technical indicator named Supertrend.

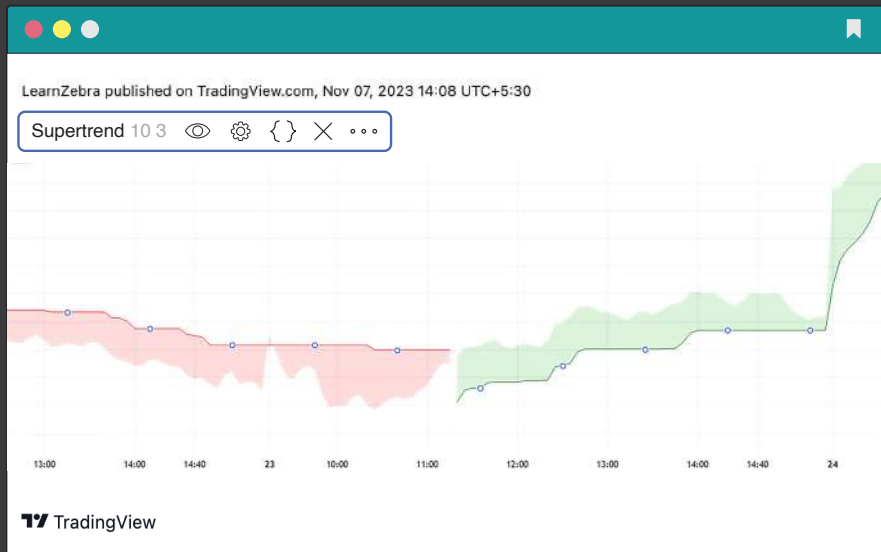
This strategy is so simple to execute that even a 10-year-old kid can do it after reading this chapter. So, play close attention.

Supertrend 10 3



INTRODUCTION

Technical indicators are known to transform raw price data into actual trading signals. They do this by analyzing the previous price points and identifying the repetitive nature of the market.



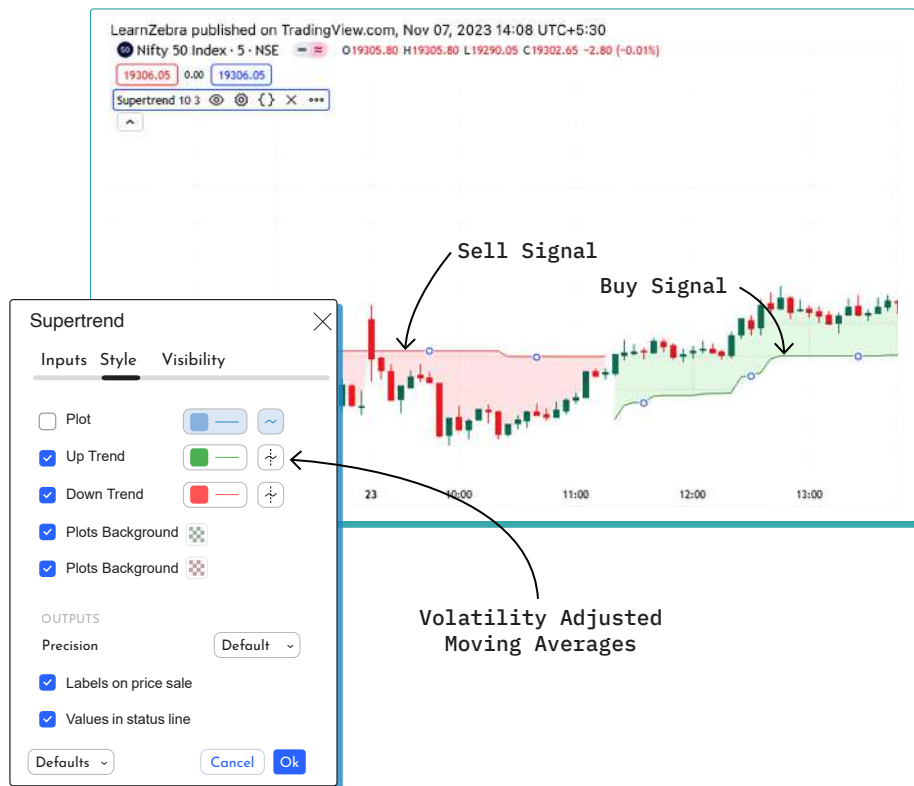
The indicator which we will be using today, Supertrend, is a popular overlay tool that gauges the market direction and momentum.

Firstly, we will talk about the Supertrend in detail. We will talk about its calculation methodology, historical background and then we will talk about intraday options trading strategy based on Supertrend signals. So let's get into it.



WHAT IS THE SUPERTREND?

The Supertrend technical indicator *was developed in the 1990's to generate automated buy and sell signals by using the volatility adjusted moving averages*. The Supertrend plots dynamic bands around prices that expand when the price is in an uptrend and shrinks when the price is in a downtrend based on the market volatility.



The Supertrend indicator is calculated as follows –

$$\text{Supertrend Line} = \frac{(\text{High} + \text{Low})}{2} + \text{Multiplier} \times \text{ATR}$$

If you are thinking about what ATR is then let me tell you.



John Welles Wilder Jr.

ATR or Average True Range is another technical indicator developed by J. Welles Wilder that measures market volatility by calculating the average range of an asset over a specified time period.

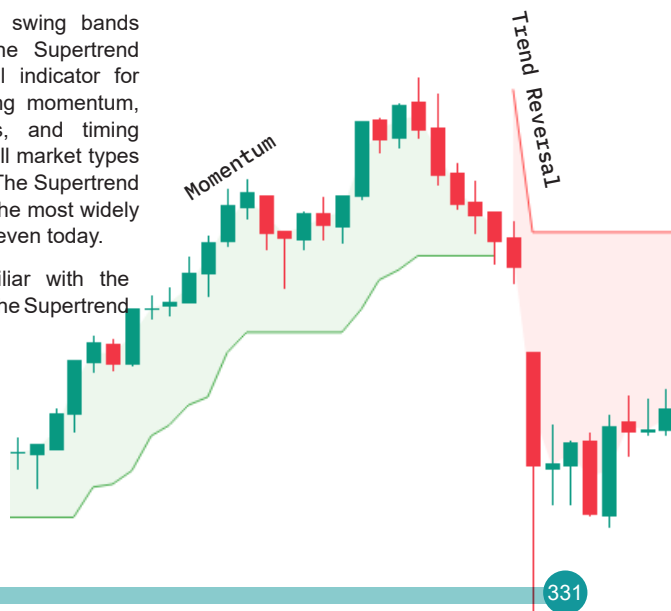
ATR 14 RMA

Moving on, the Average True Range is a volatility measure and the multiplier is typically set **between 3-10 periods based on the timeframe**.

Traders take a bullish trade when the price closes above the Supertrend line and the indicator turns **green indicating an emerging uptrend**. Conversely, traders take a bearish trade when the price closes below the Supertrend line and the **indicator turns red indicating an emerging downtrend**. The bands of the indicator automatically adjust to the changing market conditions.

This simplicity of visual swing bands around prices makes the Supertrend a very popular technical indicator for identifying trends, gauging momentum, spotting trend reversals, and timing entries and exits across all market types and trading time frames. The Supertrend indicator remains one of the most widely used technical indicators even today.

Now that you are familiar with the indicator, let us talk about the Supertrend Options Strategy.



THE SUPERTREND OPTIONS STRATEGY

Indicators, Metrics & Strategies

- My scripts
- Technicals**
- Financials
- Community Scripts

TECHNICALS

- ☆ **Supertrend**
- Supertrend Strategy
- Community Scripts
- Supertrend

First of all, plot the Supertrend indicator on your price chart. You can easily find this indicator on any charting software. Next, use the chart of Bank Nifty for analysis but we will be taking trades in its option contracts.

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

NIFTY BANK · 5 · NSE O45280.60 H45304.15 L45270.50 C45283.55 +3.20 (+0.01%)

45301.45 0.00 45301.45

Supertrend 7 3 45149.78



TradingView

10:30 12:00 14:00 Jul Mon 03 Jul '23 10:50 12:00



This intraday strategy applies the Supertrend indicator on a 5-minute Bank Nifty chart for selling the ATM call and puts options of Bank Nifty based on the directional signals generated by the Supertrend indicator.

Let's take a look at one example.

As you can see on the chart, at the 9:20 a.m. the price is above the Supertrend indicator and it is also green - this indicates an emerging uptrend.

At this point, we will sell an at the money put option of the weekly expiry. Notice that we are selling options instead of buying to take advantage of the Theta decay. Meaning, we are going to profit unless the price goes against our direction extremely fast.

We will cover our the option whenever the Supertrend changes its color into red. This provides with another trading opportunity and we can sell an at the money call at this level as shown in the above image.



We will continue to take trades in this manner. Meaning, we will continue to sell ATM calls and puts whenever the Supertrend indicator changes its colors. This systematic alternating of calls and puts will continue till 3:15 p.m. We will stop trading after 3:15 p.m.

Look how easy this strategy is. The dynamic bands of the Supertrend indicator acts as the exit trigger instead of rigid stoplosses.

Now, I will show you the backtested results of this strategy.



BACK-TESTING RESULTS

I have gathered the backtesting results of this strategy by compiling across over 6 years of historical data to validate its effectiveness. Below image shows the results.

A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Entry_Time	Entry_Value	File	Exit_Time	Exit_Value	Prft	Cum Prft	Drawdown	Winning	Profit when i win	Lossing	Lossing when i lose	No of Cons W
3549	3547	16/12/22 13:50	47355	16/12/22 15:25	4578	15.75	35303.55	-25.35	1	15.75	0	0	0
3550	3548	16/12/22 13:50	47355	16/12/22 15:25	4578	15.75	35303.55	-25.35	1	15.75	0	0	0
3551	3549	16/12/22 13:50	3474	16/12/22 14:45	35264	-413	35264	-413	0	0	1	1	31.45
3552	3550	16/12/22 13:50	44065	16/12/22 14:45	48805	-38.85	35225.55	-103.15	0	0	1	1	-39.85
3553	3551	16/12/22 14:15	34905	16/12/22 15:25	291	58.05	35283.6	-45.1	0	0	1	1	58.05
3554	3552	20/12/22 9:15	400.8	20/12/22 12:20	331.3	69.5	35353.1	0	0	0	1	1	69.5
3555	3553	20/12/22 12:20	333.1	20/12/22 15:25	207	126.1	35479.2	0	1	126.1	0	0	0
3556	3554	21/12/22 9:15	303.4	21/12/22 10:20	425.15	-121.75	35357.45	-121.75	0	0	1	1	-121.75
3557	3555	21/12/22 10:20	438.25	21/12/22 15:25	204.05	214.2	35371.65	0	0	214.2	0	0	0
3558	3556	22/12/22 9:15	447.4	22/12/22 13:55	254.35	193.05	35764.7	0	1	193.05	0	0	0
3559	3557	22/12/22 13:55	352.25	22/12/22 14:45	389.85	-37.6	35727.1	-37.6	0	0	1	1	-37.6
3560	3558	22/12/22 14:45	396.75	22/12/22 15:25	339.95	56.8	35783.9	0	1	56.8	0	0	0
3561	3559	23/12/22 9:15	404.1	23/12/22 15:25	169.25	234.85	36018.75	0	1	234.85	0	0	0
3562	3560	23/12/22 15:25	368.35	23/12/22 16:20	374.25	-5.9	36012.8	45	0	0	1	1	45
3563	3561	26/12/22 9:15	306.5	26/12/22 13:50	361.2	-54.7	35958.1	-54.7	0	0	1	1	-54.7
3564	3562	27/12/22 9:15	276.1	27/12/22 13:30	501.55	-225.45	35932.65	-225.45	0	0	1	1	-225.45
3565	3563	27/12/22 13:30	316.95	27/12/22 14:45	388.05	-71.5	35961.65	-71.5	0	0	1	1	-71.5
3566	3564	27/12/22 14:45	222.05	27/12/22 15:25	121.8	100.25	36015.9	-145.7	0	0	1	1	100.25
3567	3565	28/12/22 9:15	229.2	28/12/22 13:05	382.65	-46.55	36063.45	-100.35	0	0	1	1	-100.35
3568	3566	28/12/22 13:05	170.55	28/12/22 15:25	107	63.55	36127	-36.6	1	63.55	0	0	0
3569	3567	29/12/22 9:15	134.9	29/12/22 11:50	137.25	-2.35	36124.65	-38.95	0	0	1	1	-2.35
3570	3568	29/12/22 11:50	111.45	29/12/22 15:25	0.05	111.4	36236.05	0	1	111.4	0	0	0
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BENEFITS OF SUPERTREND OPTIONS STRATEGY

Provides objective and rule-based entry/exit signals.

Captures Theta decay of sold options during directional moves.

Impressive historical risk-adjusted returns.

Bands automatically adjust to changing volatility.

CONCLUSION

In summary, Supertrend's versatility is the main factor behind its popularity.

The Supertrend indicator filters out the noise from the charts effectively and provides traders with clear entry and exit signals.

The above strategy tells how even a basic indicator when applied in a rule based framework can produce impressive profits over time.



Backtested results





Indicators



Alert

Replay



6.5

COMBINED OPTION + VWAP



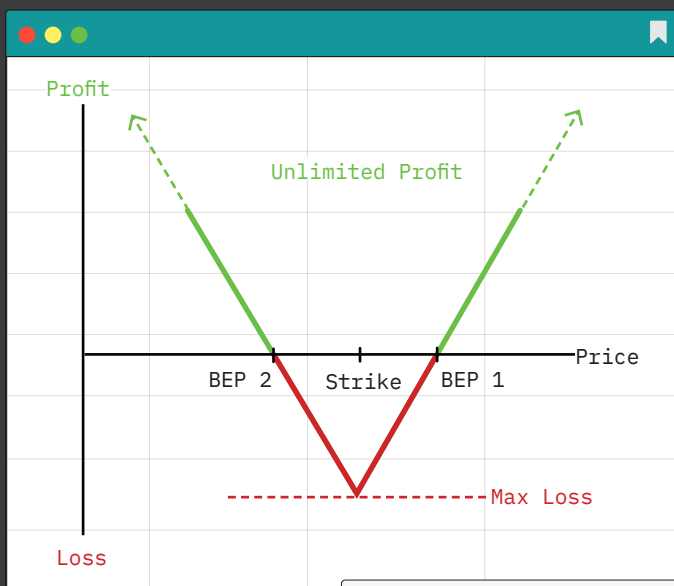
Strategy video

This strategy talks about another intraday options selling strategy. This strategy is again very simple to execute yet very effective in terms of results. *If you are someone who doesn't like to analyze the market much then this strategy is for you.*

Read along as we go through the Combined Option with VWAP strategy.

INTRODUCTION

Options strategies that involve both call and put option contracts can limit the risks through hedging.

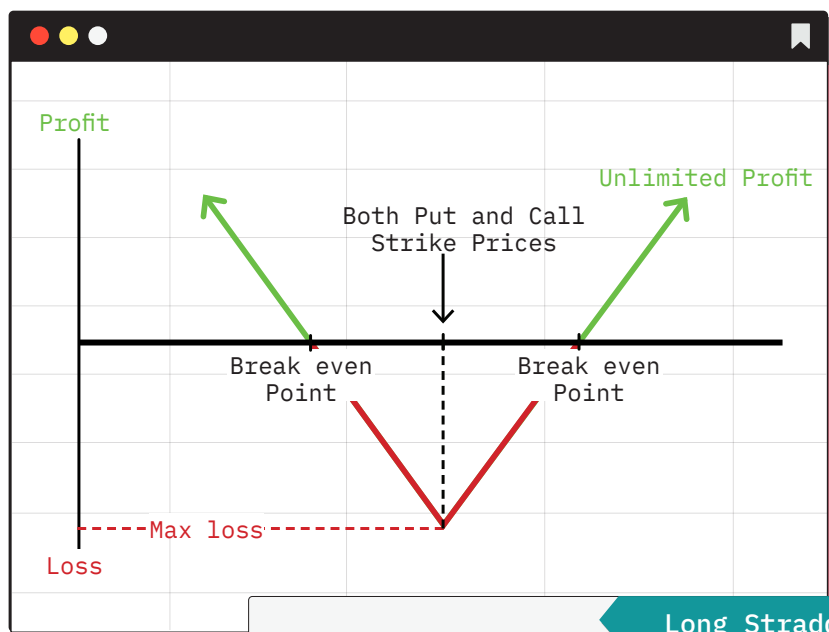


Buying both a call option and a put option is called a long straddle. In this approach, a trader buys a call and a put option of the same underlying asset with identical strike prices. While selling a straddle requires a trader to sell a call and a put option of the same underlying asset with identical strike prices.



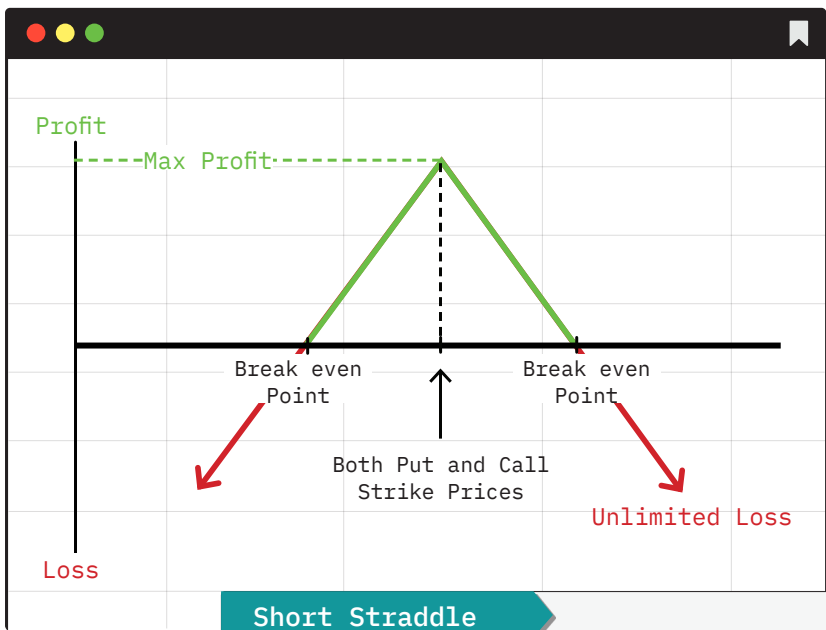
Selling a straddle can be a good way to earn regular income but it requires expertise and good risk management. This chapter explains straddles and the VWAP indicator before discussing a tactical strategy for selling intraday straddles using VWAP.

WHAT IS A STRADDLE?



Long Straddle

A long straddle is a directionally neutral strategy in which a call and a put option of the same strike price are bought. A trader aims to profit from the high volatility in either direction while buying a long straddle. This strategy is mainly deployed during the times of big events like Budget, election results, etc. The maximum loss while buying a long straddle is limited to the premium paid. A trader will only incur loss if the underlying asset goes sideways or stays near the strike price.



Short Straddle

A short straddle involves simultaneously selling of a call and a put option contract of the same strike price. A short straddle is a more commonly used options selling strategy as it is mainly used for collecting premium income during the times of a sideways market. The risk here is unlimited if the underlying asset moves sharply in either direction. This is why experience and skills are necessary for a trader to manage risk while selling a short straddle.

Now once you are familiar with straddles, let us talk about the VWAP indicator.

WHAT IS VWAP?

VWAP or the Volume Weighted Average Price is an indicator that reflects the average price of an asset based on volume. The VWAP is calculated as

$$\text{VWAP} = \frac{\text{Cumulative (Price x Volume)}}{\text{Cumulative (Volume)}}$$

VWAP Session hlc3 0 1 2 3

The VWAP indicator values historical volume transacted at each price level. It acts as reference for fair value of the asset based on volume profile.

VWAP also serves as the dynamic support and resistance and helps identify institutional inflows and outflows of cash. It is a key indicator used by big traders for timing entries and exits.

Let us talk about how to sell a straddle using VWAP now.



THE VWAP STRADDLE STRATEGY

The Black line on the above image represents the combined value of a At-The-Money straddle of Bank Nifty and the red line represents the VWAP.

In this strategy, we are going to **sell an At-The-Money straddle of the Bank Nifty at the open** and **use VWAP as a tool to manage our risks**. We are going to use a 5-minute chart and as you can see in the image above, the combined straddle premium is plotted on the 5-minute chart.



?

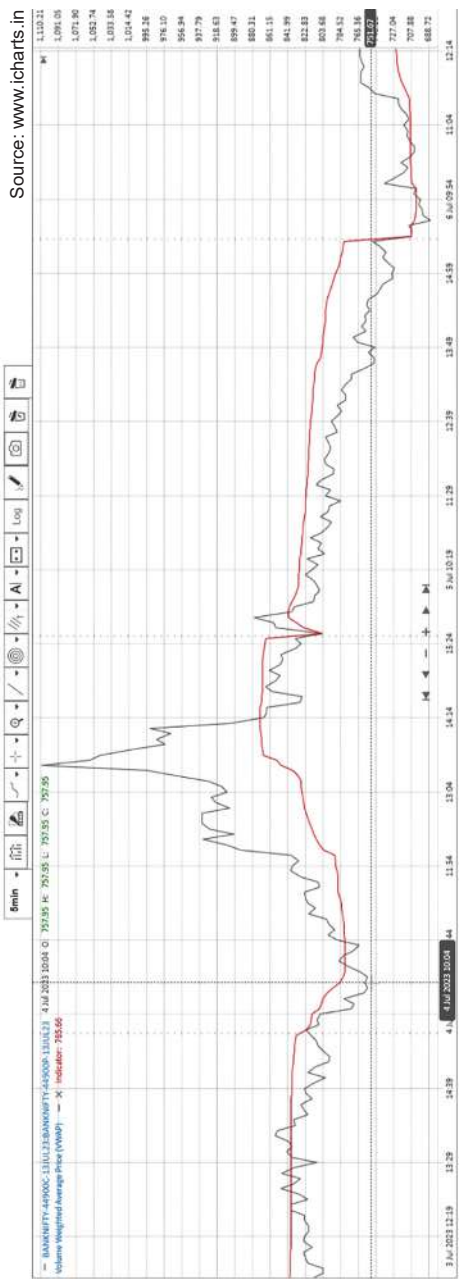
LOAD STRATEGY

Fair Price 44921.20 ▼ -404.35 (-0.89%)

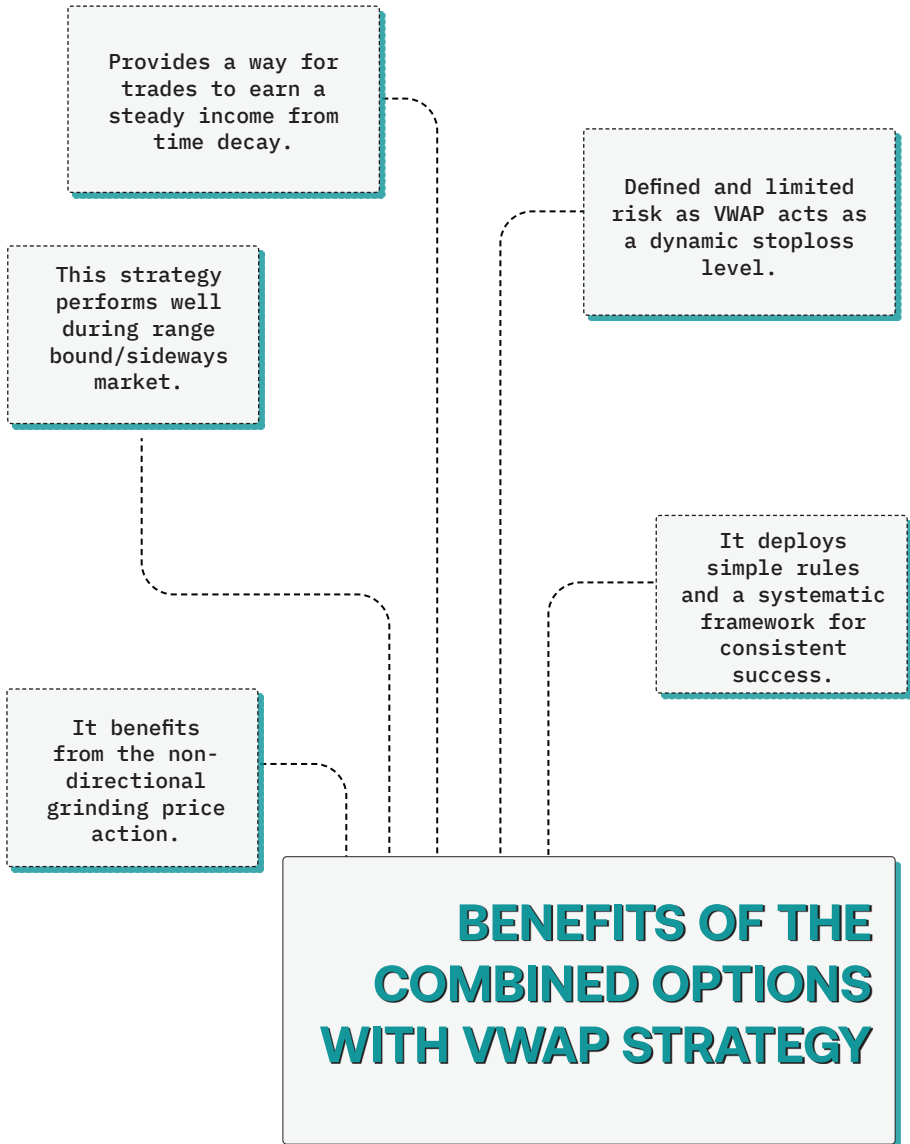
Once entered in a trade, we will square off our trade as soon as the premium value touches the VWAP line. We can only take a maximum number of 3 trades per day. We will not take a trade after 3 p.m. as not much time is left for the market to move anywhere.

341

342



This approach saves us from taking a trade when the markets are super volatile. Notice that at the time of volatility, the combined value of premiums are nowhere near the VWAP and thus, the entry is not triggered.



The core advantage of this strategy is the structured implementation of short straddles using VWAP for managing risk. This approach allows a trade to maximize his/her profits from option time decay in suitable market conditions while limiting losses during adverse market moves.



CONCLUSION

In summary, this strategy offers a straightforward yet effective approach newbie traders seeking steady income from option selling while managing risks in the market.

This strategy performs well in range-bound and sideways markets, benefiting from the non-directional grinding price action. With limited risk and the advantage of the time decay, this systematic approach towards options trading allows you to capitalize on suitable market conditions with VWAP while safeguarding against adverse movements.



Backtested results



6.6

MOMENTUM BUYING OPTION



Strategy video

Trading big events require experience in the market. It is not easy to get a sense of how the market will behave ahead of any major political event. Ahead of such days, traders stay cautious and trade with less quantity because large whipsaws can hit stoploss and sometimes, with a lack of stoplosses the whole capital can be blown. Anyone can read charts and analyze the market, but not everybody can handle their running trades.

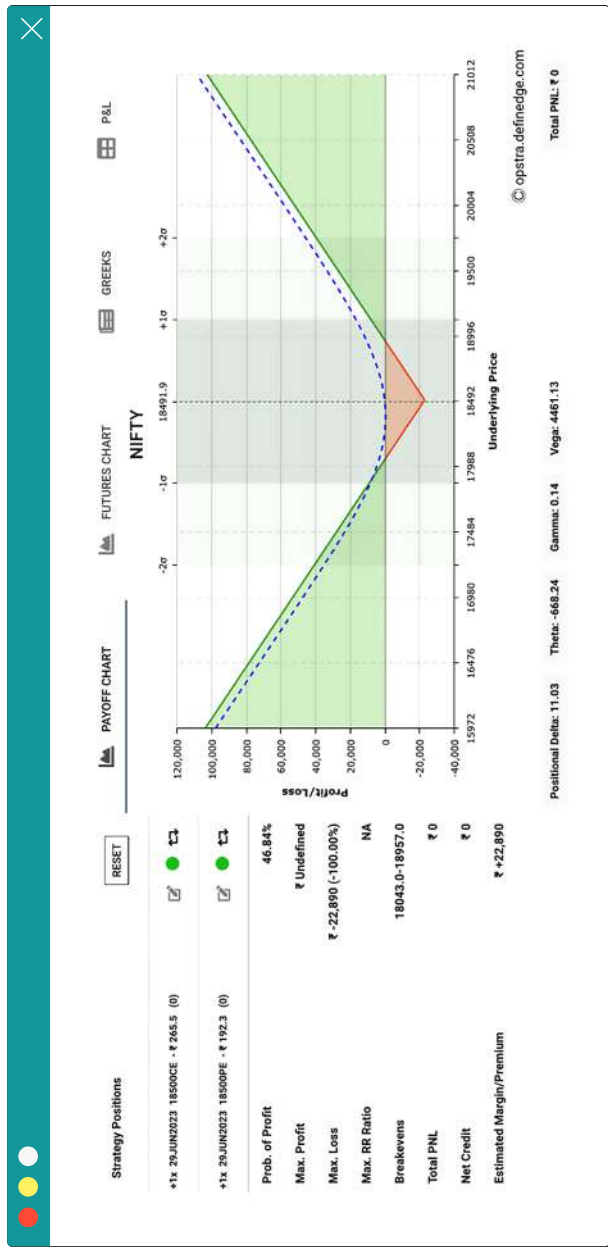


The traditional strategy for such big event days is creating a long straddle. Long straddle involves buying At-The-Money Call and Put options of the same strike price of the same expiry. The idea behind this strategy is to be prepared for explosive moves on either sides.



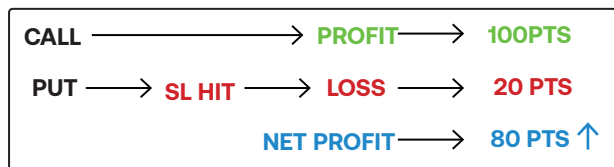


From the below example, it is clear that we are prepared for the next trading session that holds a major event by buying both ATM call and put options of the same expiry. The profit with this strategy is unlimited. However, when there is a one-sided explosive move in the market, the stoploss of the other side option is hit. If the market does not move anywhere or moves but ends up staying near the strike price at the time of expiry, the value of both the options will deteriorate and it can even become zero leading to losses.



The maximum loss in a long straddle strategy is the premium paid. In the above example, if the market stays near the strike price, traders will incur a loss of Rs. 22,890 (premium paid for call and put options multiplied by lot size). Let's do some maths. The 29th June 2023 18500CE closed at Rs. 265.5 and the 29th June 2023 18,500PE closed at 192.3.

If the event favours the stock market investors, there will be a sudden surge in the market leading to an increase in the call options premium. Traders will profit on the call option but the put option would lose value. To reduce a huge risk, traders can place a stoploss. The stoploss on the put option will hit. If the profit on call options is 100 points and the loss on the put option is 20 points, $100 - 20 = 80$ - the net profit of the trader would be 80 points.



As the days pass by, the strategy becomes more prominent. It is a universal fact that when something becomes too popular, it loses its exclusivity. Nearly every second trader deploys this strategy during event days. For smart traders, it is easy to spot this strategy through option chain data.

THE FLAWED TRADITIONAL APPROACH

Let us delve deep into the concept of long straddle strategy and see how it gives discouraging results. Traders would typically execute this strategy by purchasing At-the-Money call and put options based on the spot prices at 9:30 in the morning. The approach seemed straightforward: set stoploss and target levels for each position and wait for the trade to either hit the stoploss, reach the target, or exit at 3:15 p.m. However, as we analyze the historical performance of this strategy over the past 6 years, a discouraging reality emerges. The cumulative curve reveals consistent losses, totalling a significant negative figure of 1.6 lakhs.

The traditional long straddle strategy, which involved buying both the call and put options, proved to be a suboptimal approach. Despite occasionally profitable trades, the overall results were unfavourable. This prompted the need for a new and improved strategy that could potentially reverse the losses and provide consistent profitability.





Indicators



Alert



Replay



RECOGNIZING THE NEED FOR CHANGE: INTRODUCING MOMENTUM

Realizing the inherent limitations of the traditional strategy, I sought to enhance its profitability by incorporating momentum as a key parameter.

Rather than executing trades immediately at 9:30, we introduce a momentum-based approach.



The revised strategy entails waiting for momentum to materialize before entering trades. This adjustment acknowledges the importance of momentum in option buying, as it indicates a strong price movement that can potentially lead to profitable outcomes.

To implement the momentum strategy effectively, traders need to identify and quantify the desired level of momentum required for trade entry.



For example, if the call price at 9:30 is ₹100, traders would wait for the price to increase by 15% (reaching ₹115) before initiating the trade. Similarly, for the put option priced at ₹120, a 15% increase (reaching ₹138) would serve as the trigger for entry.



Target - 100%

Entry

-Stoploss - 25%

Aseem Singhal

51 Trading Strategies

33

AVG 82.1

Conversely, the traditional strategy would have executed trades for both the call and put options, leading to a lower overall profit of 1215.

Traditional strategy

☒	☐	NIFTY 24 Apr 2017 xxxxx CE	79.1	1215	0	1215	...
		QTY 50	AVG 82.1				

This example showcases the efficiency and improved performance of the momentum-based approach.

EVALUATING RESULTS: A SHIFT TOWARDS PROFITABILITY

To assess the efficacy of the momentum strategy, we analyze its performance over the past 6 years. The results are promising, with the strategy generating approximately ₹3.5 lakhs on a single lot, averaging around ₹58,000 per year. However, it is important to consider potential costs such as brokerage fees and government taxes.



Backtested results

6.7

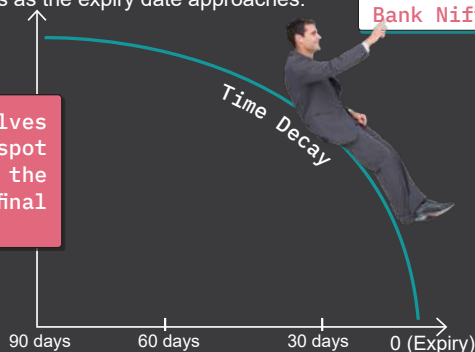
THE EXPIRY DECAY STRATEGY



Strategy video

In this chapter, we will explore a strategy called the **Expiry Decay Strategy**, which focuses on utilizing the premium decay of options as the expiry date approaches.

This strategy specifically involves the use of the Bank Nifty spot and aims to take advantage of the faster premium decay in the final days before expiry.



We will discuss the entry and exit points, risk management measures, and analyze the historical performance of this strategy.

FINDING THE BANK NIFTY SPOT

To initiate the Expiry Decay Strategy, we begin by identifying the Bank Nifty spot value.

LearnZebra published on TradingView.com, Nov 07, 2023 14:08 UTC+5:30

NIFTY BANK - 1 - NSE O 44470.50 H 44470.50 L 44470.50 C 44470.50 +6.50 (+0.01%)

44463.85 0.00 44463.85



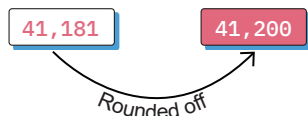
Therefore, on Tuesday, 2 days before expiry, we start executing the strategy based on the spot value of Bank Nifty obtained at 10:00 a.m.



FINDING THE BANK NIFTY SPOT

Once we have the Bank Nifty spot value, we round it off and select one Out-of-the-Money (OTM) call option and one OTM put option to sell.

For instance, if the spot value is 41,181, we round it to 41,200.



BANKNIFTY 41,300 CE

Therefore, we would look for a Bank Nifty 41,300 call (100 points OTM) and a Bank Nifty 41,100 put (100 points OTM).

BANKNIFTY 41,100 PE

Choosing OTM options reduces risk compared to the At-the-Money (ATM) options because OTM options decay faster than ATM options.

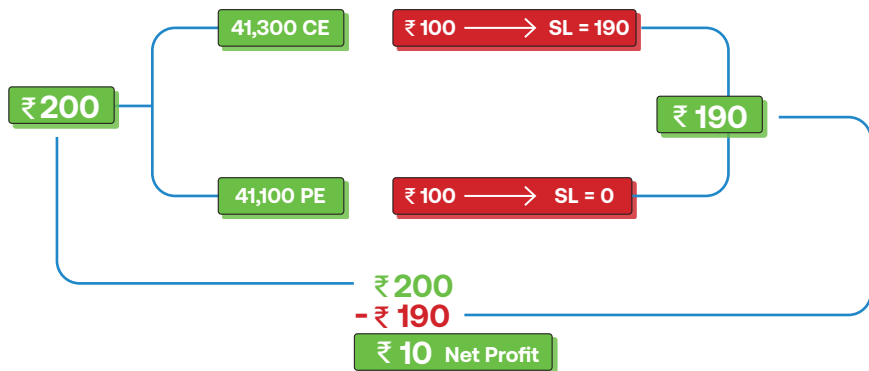
POSITIONAL SELLING AND STOPLOSS

This strategy involves selling one lot of OTM call and one lot of OTM put. It is important to note that this is a partially hedged system.



Simply put, a single-directional move can result in significant losses. To mitigate this risk, an initial stoploss is set at 90% of the premium for each leg.

For example, if the premium is ₹100, the initial stoploss would be ₹90 (Sell price- ₹100, Stoploss- ₹190). This ensures that even if the stoploss is triggered, the overall strategy remains profitable due to the initial premium received.



EXIT STRATEGY



The Expiry Decay Strategy is designed to be held until the expiry day. However, it is recommended to exit the strategy at 9:55 a.m. on the expiry day instead of waiting for the expiry time. This decision is based on the observation that although there is rapid premium decay on the expiry day, there can also be high Gamma moves that pose a risk.

By exiting at 9:55 a.m., we can still benefit from the initial premium decay while avoiding potential adverse Gamma moves. Typically, the exit price will not reach zero, but rather a small amount, such as ₹15, resulting in a break-even or near-break-even outcome for the week.



Indicators



Alert

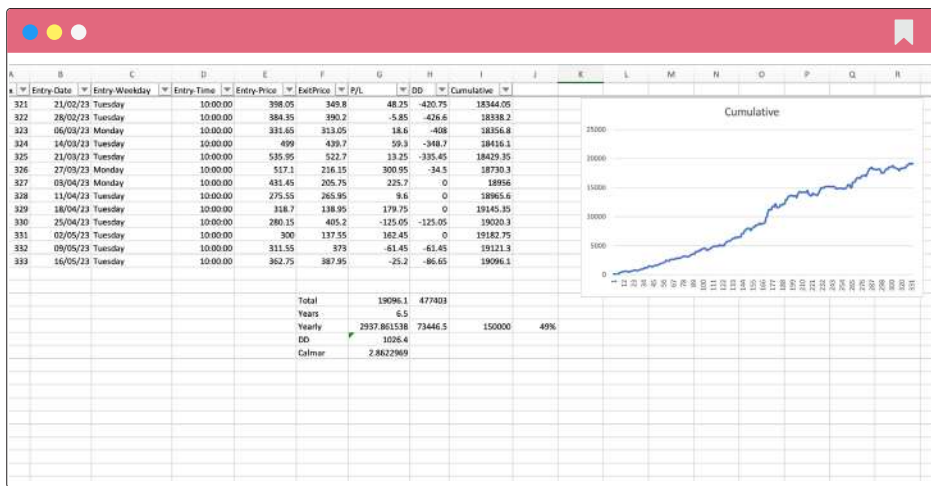
>> Replay



HISTORICAL PERFORMANCE



To assess the effectiveness of the Expiry Decay Strategy, we examine historical results from 2017, when weekly options were introduced for Bank Nifty. The results demonstrate a total profit of approximately 19,000 points over a 6-year period, without considering costs or brokerage fees. Multiplying this by 25 (assuming a quantity of 25 for all trades) yields a profit of around ₹7, 00,000. This translates to an annual Return on Investment (ROI) of 2900 points or ₹73,000, considering the required margin of approximately ₹1, 50,000 to initiate the strategy.



It is important to note that 2020 experienced a significant drawdown of almost 1000 points due to high volatility and substantial market movements. Therefore, it is advisable to skip trades during periods of excessively high VIX to reduce the drawdown and improve the overall performance of the strategy.

CONCLUSION



The Expiry Decay Strategy presents an opportunity to capitalize on the rapid premium decay of options as the expiry date approaches by strategically selling OTM.



Backtested results

6.8

THE COMBINED STOPLOSS STRATEGY: A UNIQUE APPROACH TO OPTIONS TRADING



Strategy video

In the world of options trading, understanding the relationship between call and put options is essential. The fact that calls and puts move in opposite directions presents an intriguing opportunity for traders. In this chapter, *we will explore a strategy that capitalizes on this relationship to potentially generate profitable outcomes. By employing a combined stoploss technique, we aim to maximize gains while minimizing risks.*

Call Option

Put Option



STRATEGY OVERVIEW

The strategy centres around selling out-of-the-money (OTM) call and put options. *This approach mitigates some of the inherent risks associated with at-the-money (ATM) options.* Initiating the strategy at 9:30 a.m., we sell the OTM call and put options simultaneously. To protect the position, we set a combined stoploss of 40 points.

The diagram illustrates the strategy setup for selling call and put options. It shows two option trading interfaces. The top interface is for selling a Call option (CE) with a strike price of 19800 on 28SEP2023. The bottom interface is for selling a Put option (PE) with a strike price of 19800 on 28SEP2023. Both interfaces show the option price and IV. A combined stoploss (SL) of 40 points is indicated. A hand is shown clicking the 'ADD POSITION' button on the Put option interface.

Options 28SEP2023 19800 CE

Select Segment: Select Expiry: Select Option Strike: Select Option Type:

Buy Sell Lot Qty: 1 Option Price: 75.4 Option IV: 8.50 ADD POSITION

Combined SL - 40

Options 28SEP2023 19800 PE

Select Segment: Select Expiry: Select Option Strike: Select Option Type:

Buy Sell Lot Qty: 1 Option Price: 583.85 Option IV: 8.71 ADD POSITION

EXECUTION AND EXIT

Upon selling the call and put options, we calculate the total premium received.

Estimated Margin / Premium ₹100

For instance, if the call and put options each provide a premium of 100 points, the total premium collected amounts to 200 points. We will exit the trade only when the combined premium reaches 240 points. This exit rule ensures that we capture profits during significant directional moves in the market. We hold the position until 3:15 p.m., adhering to our planned exit time.

The diagram shows the exit rule and the exit time. A box indicates that the combined premium must reach 240 points to exit the trade. Another box shows the exit time as 3:15 PM. A hand is shown clicking the 'CLOSE' button on the exit rule box.

240

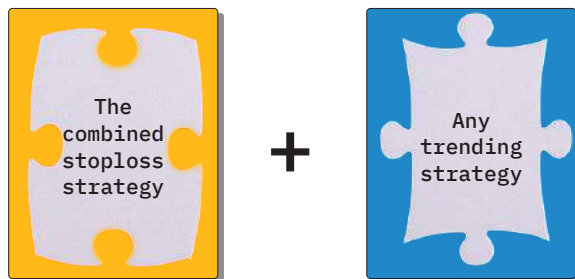
Enter Exit Price

CLOSE MODIFY

3 : 15 PM

COMBINING STRATEGIES

To enhance the trading portfolio, this strategy can be used in conjunction with another trending strategy. By employing both strategies simultaneously, we can take advantage of trending market conditions. In case the combined stoploss is triggered, indicating a favourable trending move, the other strategy may still yield profits.



RESULTS AND ANALYSIS

Examining the historical performance of this strategy over the past 6 years reveals some noteworthy insights. During this period, the strategy produced an impressive gross profit of 33,000 points.

Gross Profit - 33,000 points (2017-2023)

However, it is essential to note *that these figures do not consider costs such as brokerage fees and taxes*. The annualized profit amounts to approximately 2,200 points. *A notable drawdown of 1,400 points occurred during the 2020 market crash, emphasizing the need to exercise caution during exceptional market events.*

Annualized Profit - 2200 points



RISK MANAGEMENT CONSIDERATIONS

It is crucial to exercise caution during periods of high market volatility, as indicated by elevated VIX levels. When the VIX is exceptionally high, it is advisable to refrain from implementing options selling strategies, including this one. By adhering to this risk management principle, you can potentially reduce drawdowns and safeguard your portfolios.

India VIX

 Option Selling

CONCLUSION

The combined Stoploss strategy offers you a unique approach to options trading by capitalizing on the inverse relationship between call and put options. By employing a combined stoploss and carefully selecting OTM options, this strategy aims to capture profitable moves in the market. It is important to consider risk management principles and use this strategy in conjunction with other complementary strategies to optimize trading outcomes. As with any trading approach, thorough backtesting and ongoing evaluation are crucial to ensure effectiveness in current market conditions.



Backtested results

6.9

EXPLORING THE THETA DECAY STRATEGY IN OPTIONS TRADING



Strategy video

Options trading has gained immense popularity among traders due to its flexibility and potential for high returns. In this chapter, we will delve into a commonly used strategy known as selling at-the-money (ATM) call and put options to capitalise on Theta decay.

By selling both call and put options at the ATM strike price, traders aim to profit from a sideways market movement.



The strategy typically begins at 9:30 a.m., coinciding with the market opening. Traders identify the current spot price of a particular index or stock, such as the Nifty, and select the ATM call and put options accordingly. One lot of each option is sold to initiate the strategy. To manage risk, a stoploss order is placed at 25% above the entry price for both the call and put options.



9:30 a.m.

Let's consider an example to understand this strategy better. At 9:30 a.m., based on the Nifty spot price, a trader sells the 18,100 call and put options. However, if either the call or put option hits the predetermined stoploss level, the trader exits that particular leg of the trade.

Add order
SELL 1x NIFTY XXXXX PUT 07 Sep

Contract
Future Call **Put**

Type
Buy **Sell**

Expiry
7 Sept 14 Sept 21 Sept 28 Sept
26 Oct 30 Nov 28 Dec 28 Mar
27 Jun

Strike	Price
xxxxx	xx
xxxxx	xx
xxxxx	xx
18,100	
xxxxx	xx
xxxxx	xx

Add order
SELL 1x NIFTY XXXXX PUT 07 Sep

Contract
Future **Call** Put

Type
Buy **Sell**

Expiry
7 Sept 14 Sept 21 Sept 28 Sept
26 Oct 30 Nov 28 Dec 28 Mar
27 Jun

Strike	Price
18,100	xx
xxxxx	xx
xxxxx	xx
xxxxx	xx
xxxxx	xx
xxxxx	xx

10:34 a.m.

Subsequently, at 10:34 a.m., the trader reenters the trade by selling the new ATM call or put option, placing another **stop-loss order at 25% above the entry price**.

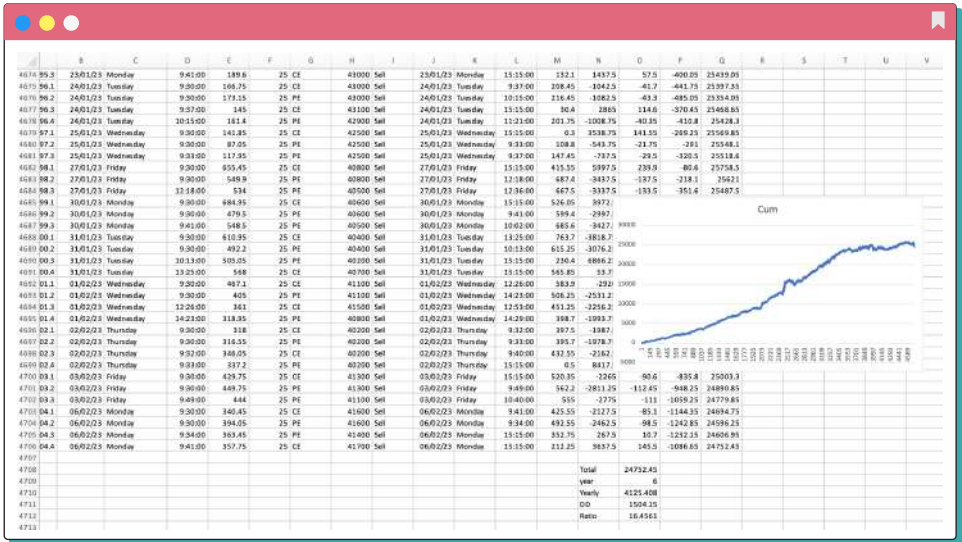
☒	S	NIFTY 24 Apr 2017 xxxxx CE	xx.x	XXXX	x	XXXX	XXX
		QTY 50		AVG xx.x			

☒	B	NIFTY 24 Apr 2017 xxxxx CE	xx.x	XXXX	x	XXXX	XXX
		QTY 50		AVG xx.x			

☒	S	NIFTY 24 Apr 2017 xxxxx CE	xx.x	XXXX	x	XXXX	XXX
		QTY 50		AVG xx.x			

Throughout the day, a maximum of 3 trades can be executed, and all positions are closed by 3:15 p.m. since it is an intraday strategy.

Now let's analyze the historical results of implementing this strategy over the past 6 years. The presented data displays the entry prices, timestamps, and the outcomes of each trade. In this specific case, the cumulative profit gained was approximately 24,000 points over 6 years, averaging around 4,100 points per year. However, it is important to note that the strategy experienced a drawdown of approximately 1,500 points during this period.



6.10

MAXIMIZING MOMENTUM WITH THE BTST OPTION BUYING STRATEGY



Strategy video

INTRODUCTION TO THE BTST OPTION BUYING STRATEGY

In the world of options trading, various strategies exist to capitalize on market movements and generate profits. One such strategy is the BTST (Buy Today, Sell Tomorrow) option buying strategy.

Unlike the previous chapter's focus on selling options, this strategy revolves around buying in-the-money call options to take advantage of upward momentum. This chapter will delve into the details of implementing this strategy effectively.

➤ BUY ——— ITM CE



STRATEGY EXECUTION AND KEY PARAMETERS

The BTST strategy involves buying an in-the-money call option, specifically selecting a call option two strikes in the money, based on the at-the-money price at 11:00 a.m. This strike price is determined by going two strikes above the current at-the-money level.

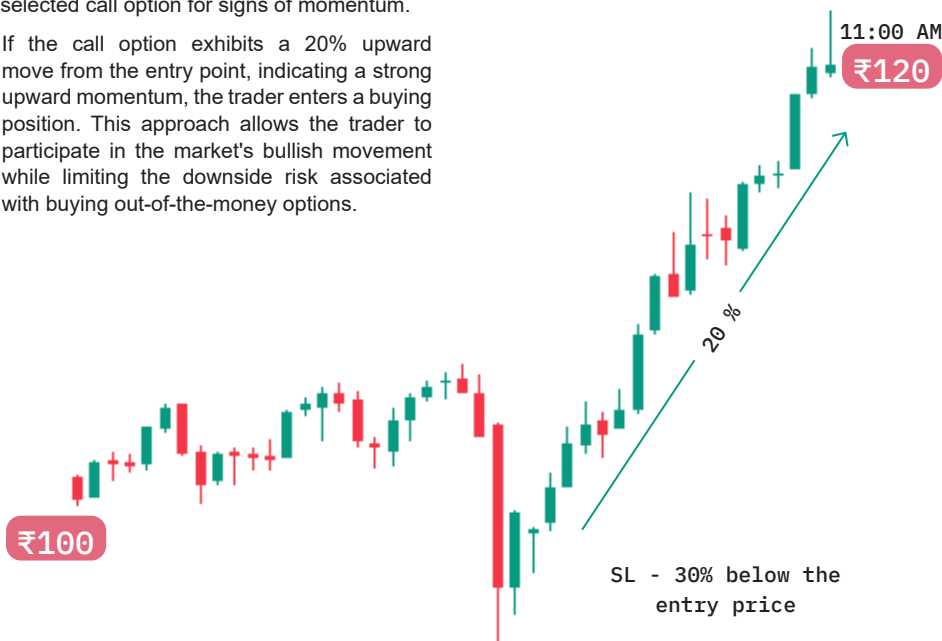
Source: www.nseindia.com/option-chain

CALLS							PUTS						
OI Chng	OI	Volume	ITM Prob.	IV	LTP	CHNG	STRIKE	CHNG	LTP	IV	ITM Prob.	Volume	OI
-4	1143	400	98.6	0	424	31.15	19150	-1.7	4.3	16.56	1.3	153849	4839
-52	5975	5081	97.4	0	374.3	30.45	19200	-2.3	5.1	15.48	2.5	290869	13394
-177	6048	3697	95.4	0	323.6	27.65	19250	-3.35	5.9	14.27	4.5	244811	10871
-6416	25908	54320	92.3	0	274.95	24.8	19300	-4.9	7.45	13.25	7.6	412325	20451
-188	11649	27366	87.8	0	227.35	23.4	19350	-6.85	9.85	12.31	12.1	334635	11811
-5299	63358	294034	81.8	8.5	182.55	21.35	19400	-9	14.2	11.6	18.1	625377	22471
-3844	39459	241819	74.3	8.64	139.05	18.5	19450	-11.85	21	10.97	25.6	494178	12371
9542	153847	1014435	65.4	8.67	100.1	14.25	19500	-15.7	32.15	10.53	34.5	1050065	27841
23923	116280	1142089	55.6	8.6	67	9.8	19550	-20.45	49	10.23	44.3	943626	14941
46239	195961	1429086	45.4	8.63	41.85	6.7	19600	-23.5	74	10.28	54.5	950157	13591

By selecting options that are already in-the-money, traders ensure a higher probability of profiting from any potential price increases.

Subsequently, the trader closely monitors the selected call option for signs of momentum.

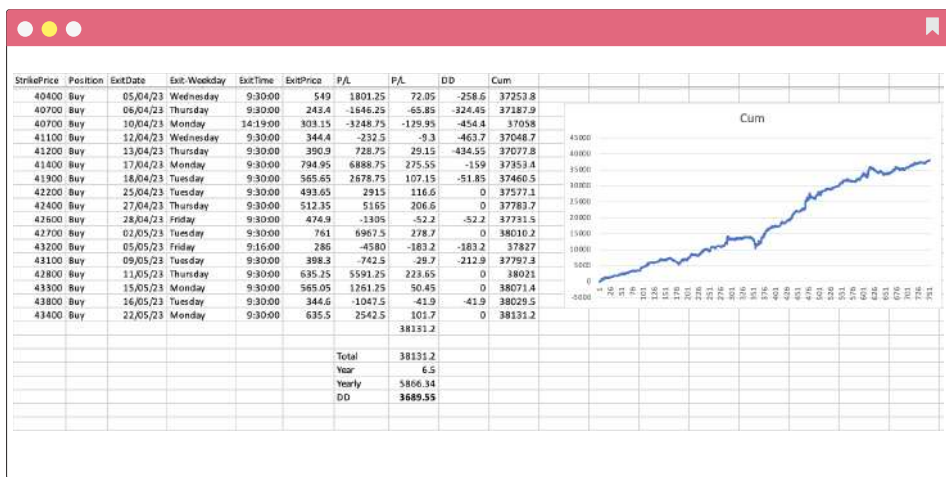
If the call option exhibits a 20% upward move from the entry point, indicating a strong upward momentum, the trader enters a buying position. This approach allows the trader to participate in the market's bullish movement while limiting the downside risk associated with buying out-of-the-money options.



For example, suppose the at-the-money call option is initially priced at ₹100, and it reaches ₹120 after 11:00 a.m., indicating a 20% upward move. In this case, the trader buys the call option at ₹120. To manage risk, a stoploss order is placed at 30% below the entry price. In this example, the stoploss level would be ₹84 (30% of ₹120 is ₹36), ensuring an exit if the call option experiences a significant downturn. *The exit can be either on the same day if the stoploss is triggered or the next morning at 9:30 a.m. to avoid the impact of Theta decay.*

ANALYSIS OF HISTORICAL RESULTS ▼

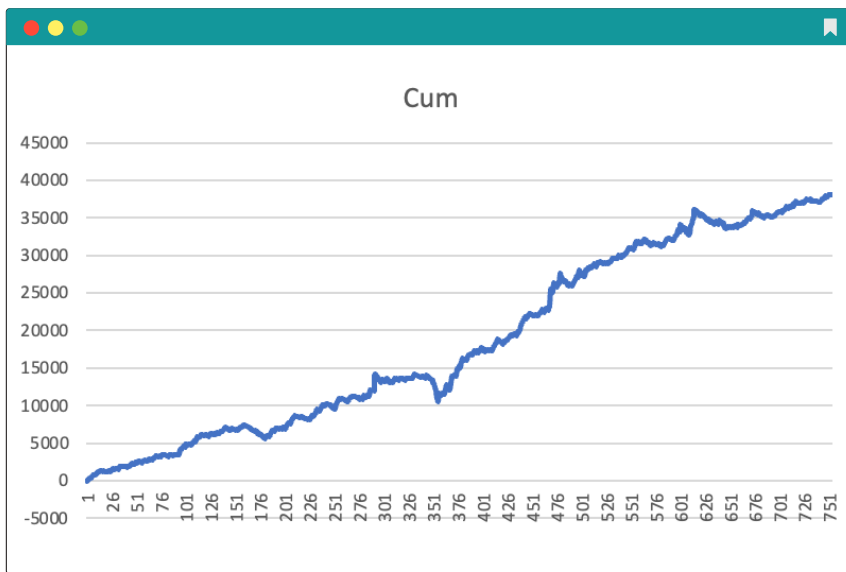
To assess the efficacy of the BTST option buying strategy, historical data from the past 5 years is examined, specifically focusing on the Nifty index. The provided results showcase the entry times, entry prices, and exit times, with trades occurring on most days, excluding exceptional cases such as Thursdays without trades. The calculated profits and drawdowns shed light on the strategy's performance.



The cumulative profits obtained from implementing the strategy amount to approximately 38,000 points over the 5-year period. This translates to a substantial profit of around ₹3,58,000. However, it is essential to address the associated drawdown, which appears significantly high. Upon closer examination, it becomes evident that the majority of losses occurred during the market crash in 2020, characterized by elevated volatility (VIX). Consequently, avoiding trading during periods of high VIX environments would yield more favorable results with reduced drawdowns.

ANALYZING THE EQUITY CURVE

To gain further insights into the strategy's performance, a cumulative profit and loss (P&L) graph is plotted for the previous year. The graph reveals that the most significant losses were incurred during the high VIX period, impacting the overall equity curve. However, when the challenging period is excluded, the equity curve exhibits a remarkable upward trend with relatively smooth growth, emphasizing the potential profitability of the strategy.



CONCLUSION AND RECOMMENDATIONS

The BTST option buying strategy presents an intriguing opportunity for traders seeking to capitalize on upward momentum. By carefully selecting in-the-money call options and monitoring for significant upward moves, traders can potentially generate substantial profits. However, it is crucial to managing risk effectively by implementing stoploss orders and avoiding trading in high VIX environments to minimize drawdowns.



Backtested results

Before deploying the strategy with real capital, thorough backtesting should be done to see if the strategy suits your personality.

6.11

THE 3:00 PM NIFTY INTRADAY STRATEGY



Strategy video

The most important thing for a trader is to form strategies that capitalize on every type of market move. Among these strategies, there is one strategy that I have tested and modified to maximise returns. In this chapter, we will explore the intricacies of this strategy, shedding light on its underlying principles, rules, and history.

UNVEILING THE STRATEGY

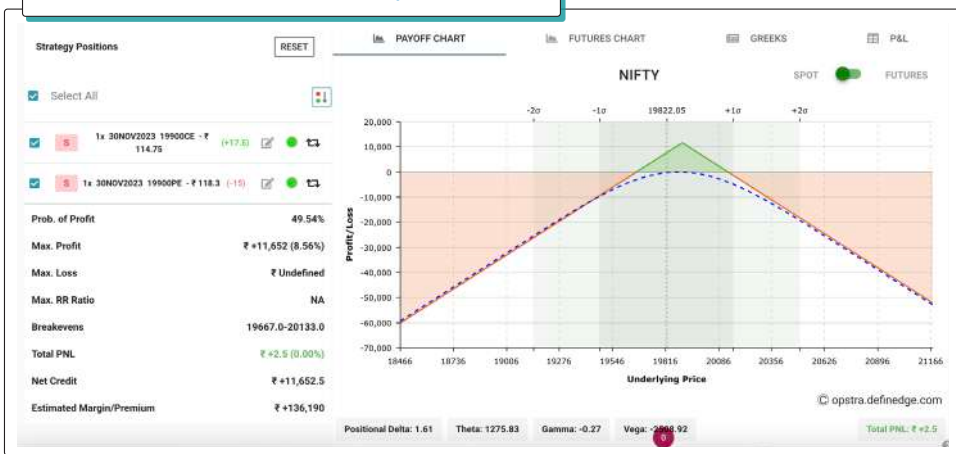
The chapter begins by introducing the concept of the 3:00 p.m. Nifty Intraday Strategy, which focuses on capturing momentum within a short timeframe. The strategy primarily revolves around option selling and aims to exploit the maximum Theta decay by entering the market at precisely 3:00 p.m. Driven by the quest for momentum, traders employ a carefully devised set of rules to execute their trades effectively.



THE RULES OF ENGAGEMENT

In this section, the specific rules of the 3:00 p.m. Nifty Intraday Strategy are laid out. The chapter delves into the intricacies of the strategy, exploring the step-by-step approach to entering the market and identifying potential trading opportunities.

The key elements of the strategy include finding the money straddle and waiting for a 5% drop in both the call and put options. The chapter explains how traders leverage this drop to sell the options and establish their initial positions.



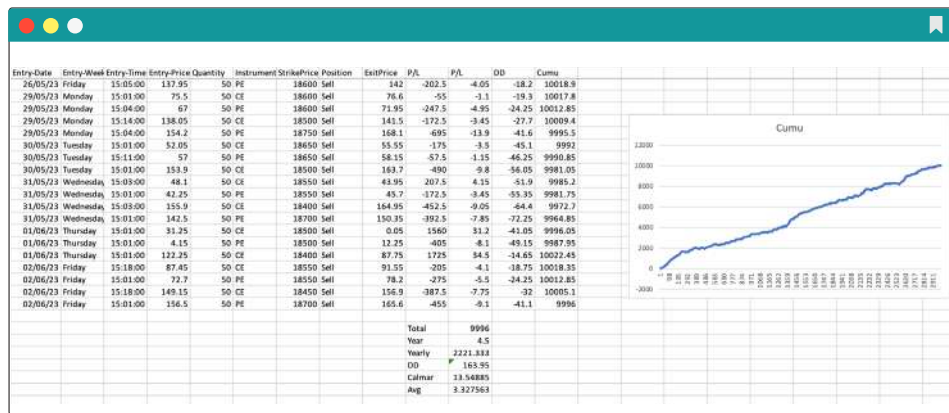
THE RULES OF THE STRATEGY ARE:

- We may find the CMP of ATM CE and PE at 3 PM.
- We will wait for the CMP to reduce by 5%. We will short sell the option whose premium reduces by 5%.
- Similarly we will find the CE and PE options which are trading around Rs 150 and we will short sell when it reduces by 5%.
- This is a partially hedged strategy, but since there is just 30 minutes remaining, we will put the stop loss on only the premium legs (Rs 150).
- We can put a small stoploss of 9% of the entry price.
- We may even do trailing of the stoploss so that we can safeguard our profits. For example, for every 10 points move on the downside, we may trail the stoploss by 5 points.
- We may exit all legs at 3:29 PM.



Traders discover how the strategy incorporates a hedging mechanism to mitigate risk during the half-hour trading window. Additionally, individual stoplosses and trailing stops are employed to safeguard positions and maximize potential gains.

To provide readers with a comprehensive understanding of the strategy's efficacy, this section presents a detailed analysis of its historical performance. The backtested data is from 2019 to May 2023. The chapter showcases the strategy's profitability, drawdowns, and overall equity curve. The analysis highlights the consistent and smooth nature of the equity curve, emphasizing the strategy's ability to generate profits while keeping drawdowns to a minimum.





CONCLUSION

The chapter concludes by summarizing the key aspects of the 3:00 p.m. Nifty Intraday Strategy. Traders are reminded of its unique time-sensitive nature and the emphasis placed on momentum and option selling. By providing a comprehensive overview of the strategy's rules, risk management techniques, historical performance, and advantages, readers are equipped with the knowledge necessary to evaluate and potentially incorporate this strategy into their trading arsenal.



[Backtested results](#)



6.12

THE MOMENTUM SELLING STRATEGY: A PROFITABLE APPROACH TO OPTION TRADING



Strategy video

This section deals with providing and exploring a momentum-selling strategy that can be utilized in options trading. With the means to gain and capitalised on falling options premium, and influencing the potential for beneficial trades - this chapter contains it all. We will talk about the basic principles of the system, analyze the outcomes obtained by implementing strategies, and explore different varieties that can be applied. Toward the end of this chapter, you will have a complete comprehension of this methodology and can be prepared to integrate it into your trading practices.

STRATEGY OVERVIEW

The momentum option selling strategy aims to pocket premiums after a certain fall in the options premium at a specific time. *For example:*

A trader can sit and analyse the options premium of ATM call and put options at 10 a.m. in the morning.

The trader can then wait and observe the Theta decay in both call and put options.







4

Stoploss Placement:

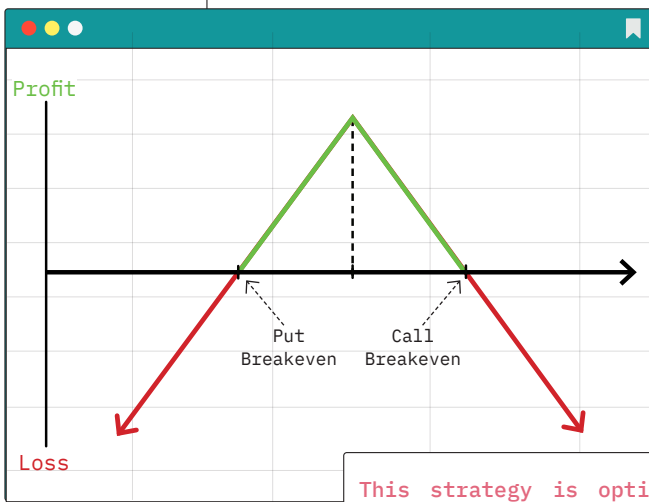
Each option trade has an individual stoploss set at 40%. If the stoploss for one option is hit, the stoploss for the other option is adjusted back to the entry price.

For example: Stoploss of the ATM call option gets hit (entry price @100 and stoploss @140), then the stoploss of the put option can be trailed (entry price @150, previous stoploss @210, now the entry price has become the stoploss @150)

5

Advantages Over a standard Short Straddle:

Each option trade has an individual stoploss set at 40%. If the stoploss for one option is hit, the stoploss for the other option is adjusted back to the entry price.



This strategy is optimised to give you a decent profitable trade when the market is directional.



RESULTS AND PERFORMANCE

To assess the effectiveness of the momentum selling strategy, a historical analysis has been conducted since the inception of Nifty Weekly expiry in 2019. The strategy has yielded positive results with a manageable drawdown. Here are some key performance metrics:

1) Annual Profit:

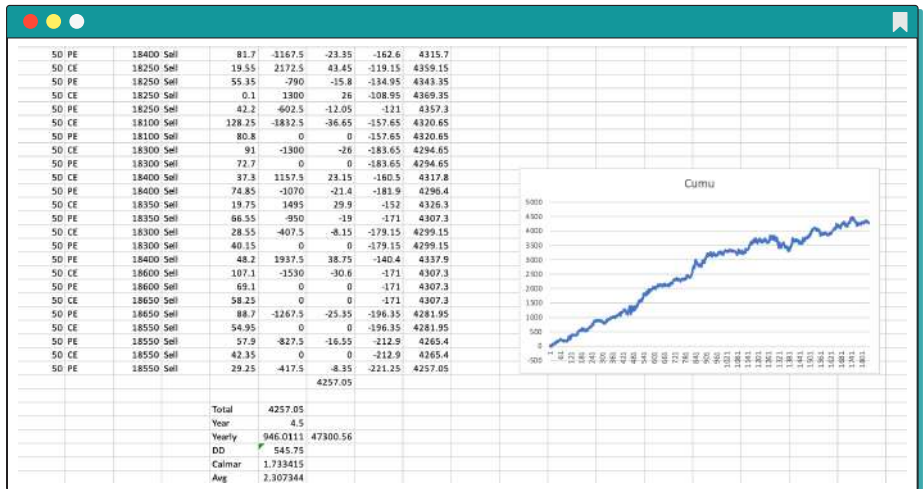
The strategy has generated a total profit of approximately 946 points, equivalent to ₹47,000 when multiplied by 50 (lot size).

2) Drawdown:

The maximum drawdown experienced is around 545 points, indicating reasonable risk management.

3) Equity Curve:

The equity curve demonstrates a consistent upward trajectory, showcasing the strategy's overall profitability.



Detailed trade records are available, illustrating the entry dates, entry times, trade type (call/put), strike price, and current profit/loss for each trade. Notably, instances where only one type of option trade occurs tend to yield profitable outcomes, further distinguishing this strategy from a typical short straddle approach.





T



CONCLUSION

The momentum selling strategy offers an effective and profitable approach to options trading, harnessing Theta depletion to generate consistent profits.. By following the defined rules and considering the suggested variations, traders can tailor the strategy to their risk tolerance and capital requirements. The historical performance and manageable drawdown provide compelling evidence for the strategy's viability. As with any trading approach, thorough backtesting and individual adjustment are recommended before implementing it in live trading.



Backtested results

6.13

SWING BUYING: A WINNING OPTIONS TRADING STRATEGY



Strategy video

In this section, we will discuss a swing purchasing technique for trading options over a few days.



Buying an at-the-money (ATM) straddle with a week-to-week expiry is the tactic in question. The rationale for initiating the trade around 3:30 p.m. on a Thursday is to capitalise on any price fluctuations with the least amount of time decay.

We will examine the outcomes of this technique over a 4.5-year time frame and go into the exact process for creating stoploss orders and trailing stops.



1. THE SWING PURCHASING METHODOLOGY

Holding Period - 2-3 days
 Execution - 3:30 p.m. on a Thursday



Straddles			Sensibull	
14 Sep	LTP	OI	Greeks	Static Strikes
Call LTP	Strike	Put LTP		
Call OI		Put OI		
249.20	19600	22.05		
206.00	19650	29.00		
165.85	19700	39.85		
130.05	19750	53.50		
100.00	19800	70.70		
73.75	19850	93.75		
52.00	19900	122.40		
36.00	19950	157.80		
23.90	20000	194.50		
14.70	20050	235.05		
9.20	20100	282.90		
Buying ATM Straddle			Clear All	Add to Chart

Options traders who are looking to profit on short-term price swings can use the swing buying approach. Traders may benefit from large price swings in either direction by acquiring an ATM straddle. The strategy is executed at 3:30 p.m. on a Thursday, with a holding period of 2-3 days. The selections will still be quite fresh if you stick to this time range.

2. PUTTING IN PLACE STOP-LOSS ORDERS: ▼

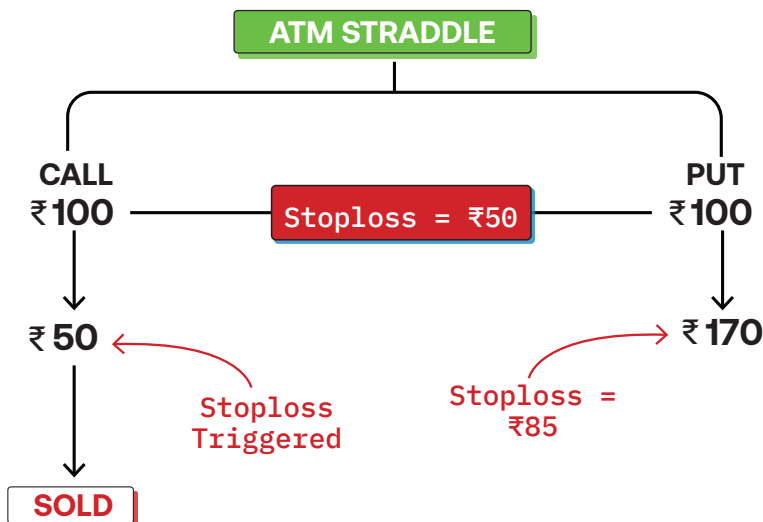
Stoploss - 50% of Premium

Stoploss orders are an essential part of risk management in the swing buying approach. The initial for both the options will be 50% of the premium. For example: If the ATM call option is of ₹100, the stoploss will be at ₹50, and similarly, for the put option.

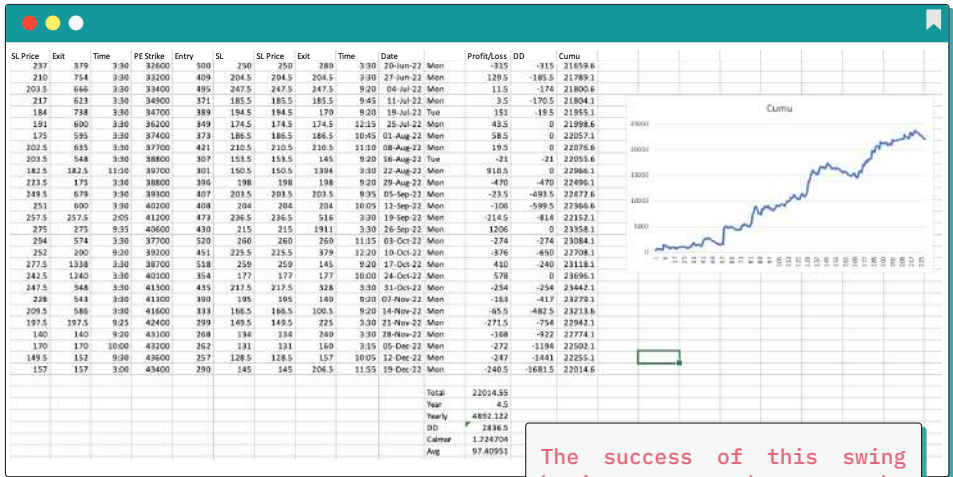
ATM call option is of ₹100, then stoploss will be at ₹50.

3. TRAILING THE REMAINING STOP - LOSS ORDER: ▼

If one stoploss order is triggered while the other option is still active, it is recommended to trail the stoploss order of the active option. The trailing stoploss level need increase by half the amount of option premium. If the call option's stoploss level is triggered, and the put option's premium is 170, the new following stoploss level for the put option is ₹85.



4. ANALYZING RESULTS AND ENHANCEMENTS:



The success of this swing buying approach may be assessed over a 4.5-year time frame by reviewing the outcomes.

According to the numbers provided, the company records a net profit of around 2,200 points, leading to an annual return on investment (ROI) of about 48%, or about 5,000 points. However, the volatility of the market and other factors should be considered before using this method.

Avoiding transactions once the Volatility Index (VIX) is over a certain level, say 40, is recommended to further improve the approach. The research shows that potential losses might be reduced by avoiding trading during times of extreme volatility.

CONCLUSION

Summing up, the swing buying method allows option traders to capitalise on short-term price fluctuations. Risk can be managed by traders by using ATM straddles and following particular stoploss and trailing stop rules. Over a 4.5-year period, the provided data demonstrate a solid performance with a noticeable return on capital. However, market circumstances and characteristics like volatility must be considered when you implement this technique. To maximize the possibilities of this swing buying method, traders should proceed with prudence, do a comprehensive study, and regularly assess and adjust their approach.

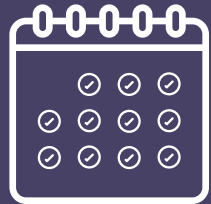


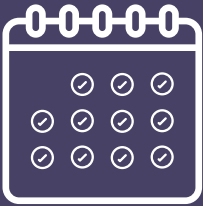
Backtested results



CHAPTER 7

PRICE ACTION





- 7.1 9 and 21 EMA support and resistance trading strategy
- 7.2 Positional Trading strategy
- 7.3 Pin Bar Candlestick Pattern or Reversal Strategy

- 7.4 The Pullback Strategy
- 7.5 Trading based on Repo Rates
- 7.6 Volatility Contraction Pattern (VCP)
- 7.7 Two-legged pullback





Indicators



Alert

Replay



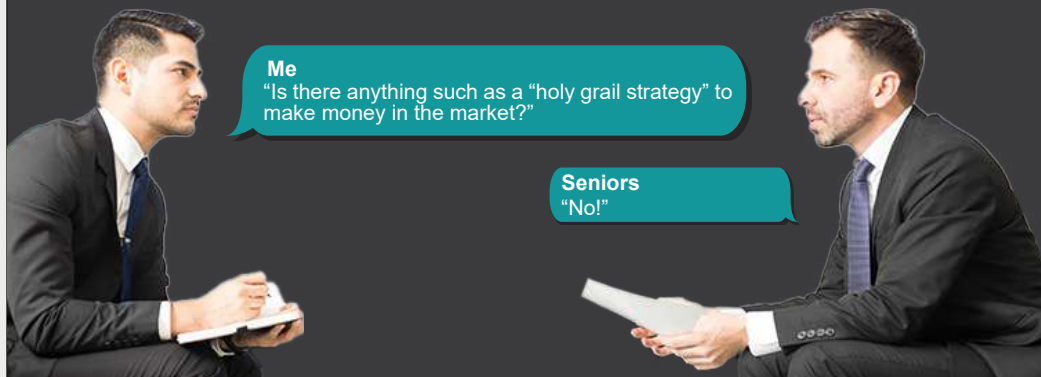
7.1

9 AND 21 EMA SUPPORT AND RESISTANCE TRADING STRATEGY



Strategy video

I still remember the day when I was introduced to the stock markets. I was curious to know how someone sitting in front of a screen is making lakhs. This intrigued me to search for my holy grail strategy. But do we need a holy grail strategy to make money? In fact, is there anything such as a “holy grail strategy”? The answer I got after years of learning and listening to my senior traders is an absolute NO!

**Me**

“Is there anything such as a “holy grail strategy” to make money in the market?”

Seniors

“No!”

The hunger to make quick money made me experience peaks and troughs in my trading career, which eventually made me realise what I needed was a simple system to trade.

Then I started to study more about how indicators can help navigate and refine trading decisions, and I found 9 and 21 Exponential Moving Averages. Before we rush to know the 9 & 21 EMA trading system. I would like to take you through its basics.



WHAT ARE MOVING AVERAGES?

Moving averages are overlay lines that run through the price on the chart.

The basic idea of the moving average line is to collect the closing price of the respective security and give an average price. The moving average line can be of different lookback periods on different timeframes.



For example: A moving average line with a lookback period of 14 represents the average closing price of 14 recent candles. Now, if you are looking at a 5-minute timeframe chart, the lookback period of 14 will consider the closing price of the previous 14 candles.

SMA 14 close 0 SMA 5 **19826.45**
EMA 14 close 0 SMA 5 **19826.47**



Now, moving averages are of two types: Simple Moving Averages and Exponential Moving Averages. To make this a cakewalk for you, the Simple Moving Average lines are less reactive with the price movements than the Exponential Moving Averages.

WHY MOVING AVERAGES?

Moving averages help us in two ways - Direction and Dynamic support and resistance. When the moving average lines are rising, the market is in an uptrend; when the moving average lines are falling, the market is in a downtrend. Similarly, *when the moving averages are flat, it suggest that the market is in a consolidation zone. Moving averages staying flat and the market creating a narrow range contribute to this trading strategy.* Read further to know.



The above image shows that the rising moving average indicates an uptrend in the price and is correcting after facing a small rejection on top. If you mark the horizontal support lines, which I call 'static support/resistance' lines, you will have to mark the stoploss according to the previous support level. However, when you use moving averages to trade, you can use the moving average itself as the trailing stoploss. This is how I use moving averages to benefit me while trading with the simplest systems.

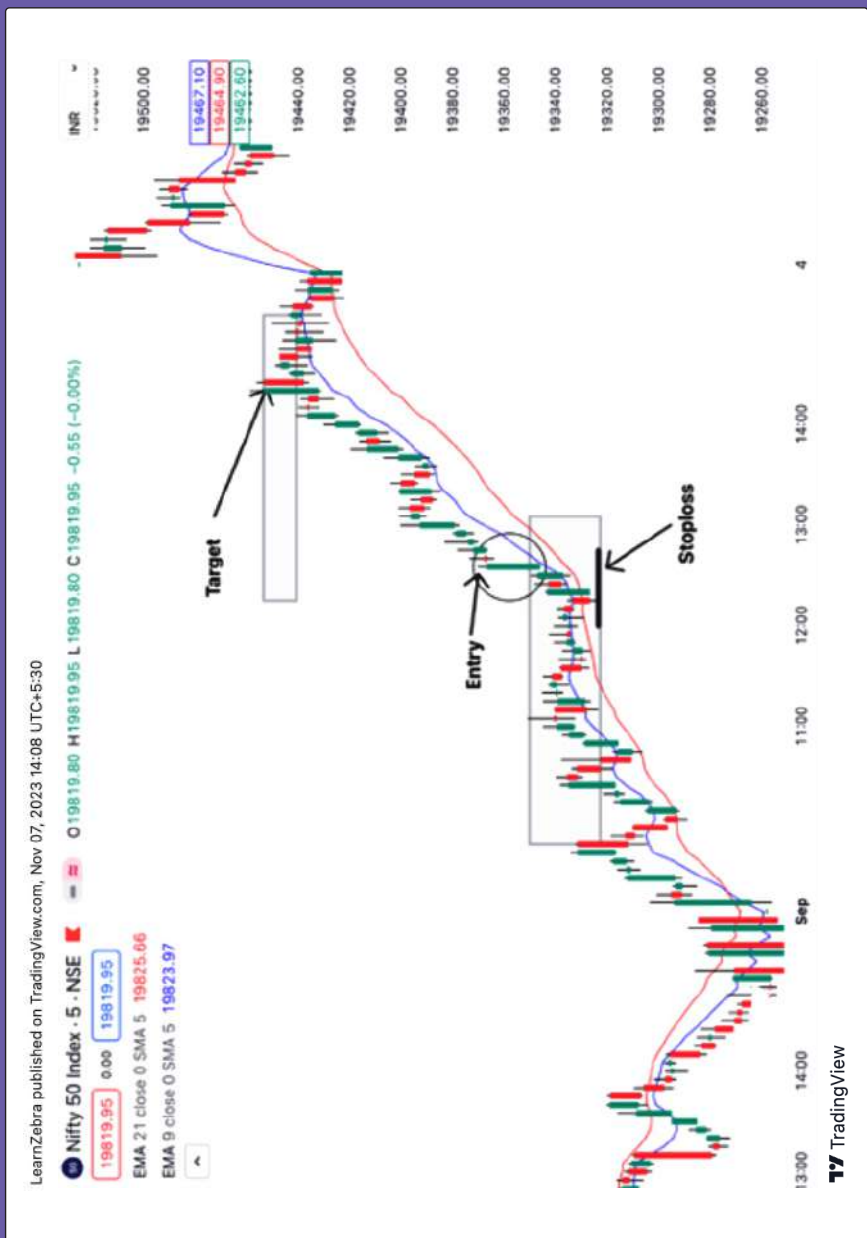
THE STRATEGY

The objective of this strategy is to catch small moves after a price consolidation with the help of 9 and 21 Exponential Moving Averages in the intraday segment. These EMAs are of much shorter length than usual and need to have a strong price push in either direction. In the history of price action analysis, the price has given a good move after breaking the consolidation range.

The buy entry is triggered when the 9 EMA crosses the 21 EMA from below and the sell entry is triggered when the 9 EMA crosses the 21 EMA from above.



THE EXECUTION





TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open a charting software.

Select a security you want to trade.

Set the chart on a 5-minute timeframe.

Look for a price consolidation.

Look for the 9-EMA crossing the 21-EMA from below.

Wait for the price to break the resistance.

BUY above the breakout candle.

Place **STOPLOSS** below the swing low or at the low of the breakout candle.

The **TARGET** is at the projected resistance or price reversal.

Risk to Reward ratio is 1:2 on an average.

As you can see in the above picture, the Nifty reached its bottom in the 5-minute timeframe and reversed for an upside move but, a consolidation is required for the entry here. Now when the price halted and stayed in a narrow range before rallying, it was a sign that a good upside move is expected. The buy signal is triggered once the green candle breaks the consolidation range.



LearnZebra published on TradingView.com, Nov 21, 2023 15:28 UTC+5:30

Nifty 50 Index, 5, NSE O19784.80 H19786.95 L19782.00 C19784.35 -0.65 (-0.00%)
 EMA (21, close, 0, SMA, 5) 19788.15
 EMA (9, close, 0, SMA, 5) 19785.37

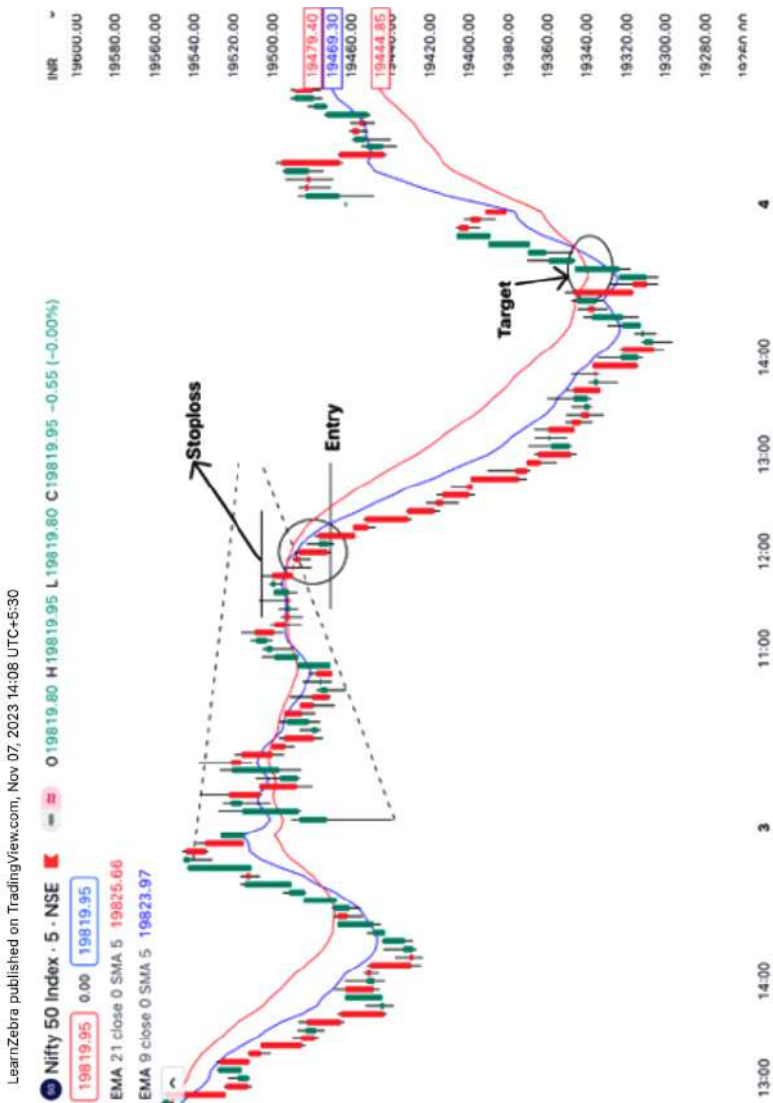


TradingView

According to the strategy, the right place to buy is at the high of the breakout candle and the stipulated stoploss would be at the swing low. The stoploss is further supported by both the EMAs being above it, giving concrete support to our view. We booked the profit at the supply zone which is extended from its previous supply zone (Shown in the figure above).



> TO SELL





TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open a charting software.

Select a security you want to trade.

Set the chart on a 5-minute timeframe.

Look for a price consolidation.

Look for the 9-EMA crossing the 21-EMA from above.

Wait for the price to break the support.

SELL below the breakdown candle.

Place **STOPLOSS** above the swing high or at the high of the breakdown candle.

The **TARGET** is at the projected support or price reversal.

Risk to Reward ratio is 1:2 on average.

As you can see in the above figure, the market struggled to move in either direction and formed a symmetrical triangle pattern. Although a symmetrical triangle indicates the price can move in either direction, at the edge of the symmetrical triangle, the 9-EMA was below the 21-EMA. This pointed out that the market was in favour of a downside move. According to our strategy, all the criteria were satisfied except a breakdown candle. After a while, the market finally broke on the downside and we got our selling entry. The stoploss was above the 9 & 21 EMA and at the previous swing high. With this strategy, the expected Risk to Reward ratio is 1:2, but we booked our profit with almost 1:4 Risk to Reward ratio.

THE TAKEAWAY

No strategy has ever been successful without a proper plan and timing. The art of trading lies in having the simplest of the systems. Always aim to build and follow simple trading systems and avoid the analysis paralysis.





7.2

POSITIONAL TRADING STRATEGY



Strategy video



This chapter is for those who wish to invest money for months or even years. In this chapter, we will delve into a pure technical positional trading strategy which can help gain decent returns over a long course of time.

But before we begin, you should first understand what positional trading is.



WHAT IS POSITIONAL TRADING?

Positional trading is a trading phenomenon in which traders hold their positions in financial instruments like stocks for a long period. The period can range from weeks to months or even years! The holding period of a stock can depend from trader to trader as the goals of every individual are different.

The only goal in positional trading is to capture large price movements and take advantage of major market trends. Positional trading involves a trader to look at the bigger picture unlike intraday trading or swing trading. Positional trading requires a trader to be very patient and disciplined.

Although we are only going to talk about technical analysis in this chapter, positional traders also analyze the fundamentals of a stock. They consider *factors such as economic indicators, company news and market sentiment to assess the overall market conditions and reduce their risk.*

The primary objective of positional trading is to stay in the game for long. Meaning, a trader should be able to stay in a trade as long as the trend remains intact.

Now we can proceed with the strategy.



POSITIONAL TRADING STRATEGY

This is a pure **price action trading strategy** meaning we are not going to use any technical indicators.



Technicals

Change interval ⓘ

1 D

1 day

You can use this strategy for long term investment. It goes without saying that the timeframe we will be using is a daily timeframe. Let's get into the interesting part of the chapter now.

First of all, for this strategy, we will be looking to buy stocks which have given a good rally of 15-20% at least. Remember that this is a non-negotiable condition of this strategy. After finding such stocks, this is what happens **-when a stock rallies for more than 15-20% in a stretch, it needs to consolidate a bit before continuing.**

Our aim is to find stocks which have given a rally before and are currently consolidating in a range. This is where as a trader you have to be patient and wait for the stock to break the range of its consolidation.

Other two conditions for this strategy are:

LearnZebra published on TradingView.com, Dec 02, 2023 14:16 UTC+5:30

BSE LTD, 1D, NSE O2500.00 H2575.00 L2475.10 C2498.65 +21.70 (+0.88%)
Vol 1.87M



TradingView



When the stock is in a range, the volume must dry down within that period.



When the stock breaks from that consolidation, its volume should rise up drastically and the stock should break the range with a huge green candle.



Let us look at an example which meets all of the conditions.



Notice the highlighted part. As you can see in the above image, this stock has fulfilled every single of our conditions. It has given a rally of over 15-20% after which it consolidated in a range during which the volume also dried. It has given a breakout with sudden volume spikes and a huge green candle. Sudden volume spike shows development of renewed interest of investors in the stock and it is more likely that the stock will only go upwards from here.

You may enter at the high of the huge green candle. *Because this is a positional strategy, you may keep a stoploss of minimum 5% of the stock's range. Remember, try to keep your stoploss below a level of significance to avoid getting out of the trade early. Our ideal R:R ratio for this setup will be 1:2 or 1:3.*

TIP

Zoom out and look for price ranges in which the price has taken a resistance. Try to get out of the trade before the stock reaches those levels.

The case in which the stock is trading at its all-time high, you can also go for pyramiding. Let's see what pyramiding means.



WHAT IS PYRAMIDING?

Pyramiding is an advanced trading phenomenon in which the traders aim to increase their position as the stock goes into their favor.

Pyramiding involves a trader increasing his positions in a winning trade to maximize his potential profit by taking advantage of strong market trends.



This technique allows traders to compound their gains and potentially achieve higher returns.

Let us take a look at an example to understand this better.

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Imagine you took a trade in the stocks as it met with your conditions. The trade started to turn in your favor and is currently consolidating for the second time. If you see the stock meeting with our conditions for a second time, you can consider increasing your position and trail your stoploss a bit. This is called pyramiding.



Indicators



Alert

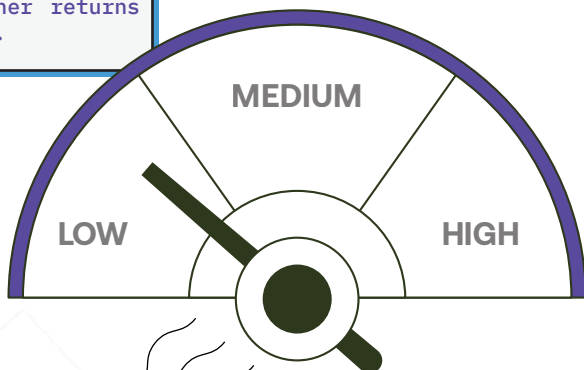


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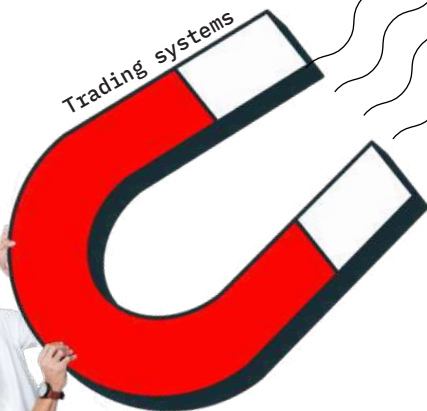


CONCLUSION

In summary, this positional trading strategy provides you a framework for identifying and trading stocks with a potential to generate higher returns over a long period of time.



Trading systems



As a trader, you must always remember that it is essential to implement proper risk management and follow your own trading plan to earn from the market.





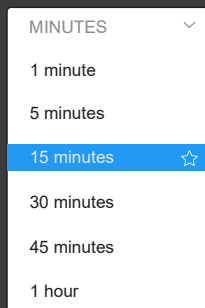
7.3

PIN BAR CANDLESTICK PATTERN OR REVERSAL STRATEGY



Strategy video

In this chapter, we are going to talk about a simple yet quite effective trading strategy. This strategy involves a candlestick pattern known as “**Pin Bar**”. This trading setup can be used as an intraday setup as well as a swing trading setup depending on your risk appetite.



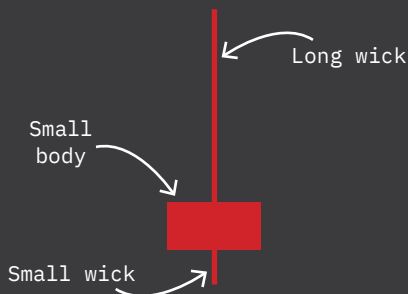
Remember to use a timeframe longer than 15 minutes or at least 15 minutes while using this strategy intraday.

Before we dive into the strategy, let us talk about what the Pin Bar candlestick pattern actually is and what it looks like.

WHAT IS PIN BAR CANDLESTICK PATTERN?

Also known as the **Pinocchio bar**, the Pin Bar candlestick pattern is a popular Japanese pattern commonly used in technical analysis to identify reversal trends in stocks. The Pin Bar's characteristics makes it a unique and easily distinguishable pattern.

In simple words, **the Pin Bar candlestick pattern forms with a small body and a long wick representing a pin sticking out of the price chart.**





The Pin Bar candlestick pattern is made with the help of its 3 main components

Body

The body of the Pin Bar is very small compared to its wick. It can either be bullish or bearish.

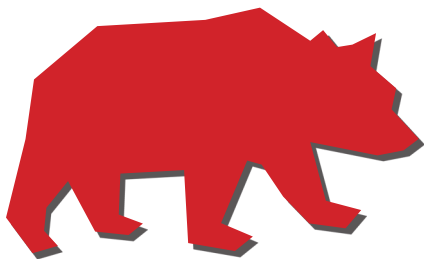
Upper wick

In the case of a bullish Pin Bar, the upper wick of the candle is smaller or equal to the body of the candle. It represents the highest price point reached during the candle's trading period.

Lower wick

In the case of a bullish Pin Bar, the lower wick extends below the body of the candle and represents the lowest price point reached during the candle's trading period.

The psychology behind the formation of the Pin Bar candlestick pattern depicts the battle between buyers and sellers.



Sellers



Buyers



Bearish scenario



In the bearish scenario, the longer upper wick shows that initially, the price rose higher, attracting buyers. However, towards the end of the day, sellers were able to take control of the situation and pushed the price lower, causing the closing price to be near the opening price or even below it. The failure to maintain the upward moment signals a potential shift in the market sentiment from bullish to bearish.

Similarly, in a bullish scenario, the long lower wick indicates that the price moved lower, attracting sellers but towards the end of the session, buyers were able to take control of the situation and pushed the price higher.

Bullish scenario



Now, when you are familiar with the Pin Bar candlestick pattern, we can move forward with our strategy.



PIN BAR TRADING SETUP

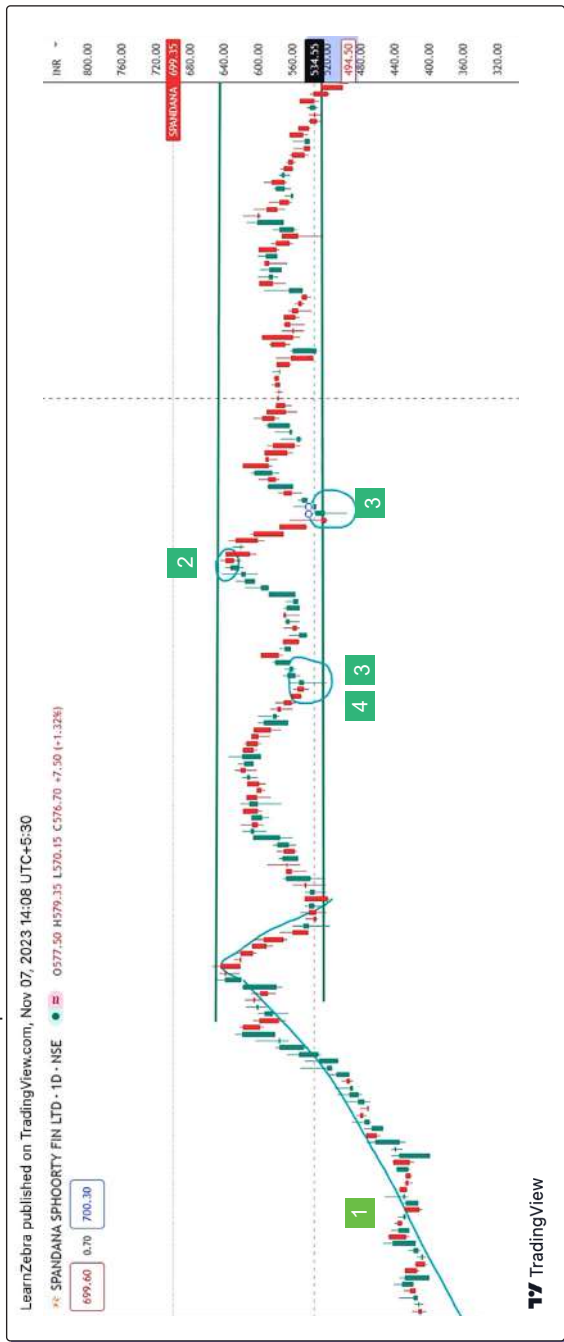
This is a pure price action strategy. Meaning, we are not going to use any technical indicators whatsoever. You can use this strategy to take multiple trades even in a day or use it as a swing trading strategy. Let us talk about the interesting part now.

Firstly, for this strategy, you will have to look for stocks which have given a rally and are currently going in a consolidation. Our aim in this strategy is to buy at the range's bottom and sell at the top. We are going to take advantage of the range by taking trades from both sides.



However, here is the catch - we are not going to buy or sell any random candle. We will look for a Pin Bar candlestick formation either at the top or the bottom of the range.

Let us look at an example now.



1 As you can see in the above chart, the stock is in an uptrend and currently consolidating in a range.

2 Once you see a range forming, draw levels from both the extremes. One for the support of the range and one for the resistance of the range.

3 Our aim here is to buy at the bottom of the range and sell at the top of the range whenever the Pin Bar candlestick pattern forms. (Notice the highlighted part).

4 Once you see a Pin Bar forming at the bottom of the range, take a bullish entry and your potential target will be the resistance line of the range.

5 We will be going for a minimum of 1:2 Risk to Reward ratio with this setup. This means that you can place your stoploss at half of your target's range.

Note – I have noticed that the 1st Pin Bar in a range is the most effective. Try to enter in the first 2 Pin Bars when trading in a range and avoid taking an entry on the 3rd Pin Bar.

Let us look at a bearish example now.



As you can see the established trend here is bearish, you can start drawing the range as soon as you see a Pin Bar forming at the top. Remember, we cannot take a trade on the initial Pin Bar. This is where we are marking our levels. We will sell the stock once the price reaches the same resistance level and forms a Pin Bar. We will consider this Pin Bar pattern as the 1st Pin Bar of this range.

The above stock has not formed a Pin Bar candlestick pattern at the bottom of the range so we will avoid taking any reversal trades here.

CONCLUSION

The Pin Bar candlestick pattern is an effective tool for recognizing the potential reversals in stock market. By following this strategy and considering proper risk-to-reward ratios, you can capitalize on the potential reversals and consolidation of using the Pin Bar candlestick pattern.

7.4

THE PULLBACK STRATEGY



Strategy video

This chapter delves into a price action strategy called “the pullback or retest”. Similar to its name, this strategy utilizes the concept of breakouts and pullbacks to identify highly profitable trading setups.

INTRODUCTION

The “Pullback trading” or “pullback and retest” strategy refers to the temporary halt in the price chart of a stock from its recent highs in an established uptrend. *This strategy aims to capture price movements when the price comes back for retesting its previous resistance levels after a breakout.*



A breakout means a bold move of price beyond a defined range or resistance level which indicates a potential shift in the market sentiment/trend.

As a trader, you will have to wait for the price to retest its previous resistance levels before taking a trade. By waiting for the price to retest its previous range, you can lower your stoploss level and potentially increase the chances of gains.

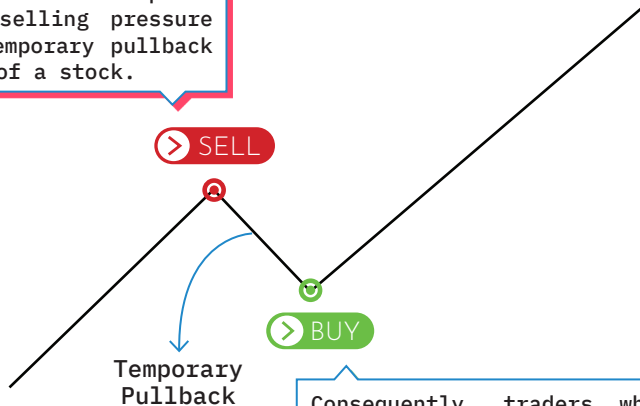


MARKET PSYCHOLOGY BEHIND THE PULLBACK ▼

A pullback can occur due to a combination of factors such as profit-taking by existing traders, short-term trend exhaustion, and the entry of new traders taking advantages of lower prices. It is important to understand the underlying market psychology behind pullbacks as to comprehend why the pullback strategy is an effective trading approach.

The market psychology behind a pullback has its crux in the belief that after a temporary break, the prevailing trend is likely to continue.

During an uptrend, traders are more likely to sell and secure their profits as the price rises. This selling pressure leads to a temporary pullback in the price of a stock.



Consequently, traders who missed the initial move see the pullback as an opportunity to enter into the markets at a lower price.

Traders believe that this pullback is a temporary correction within a larger trend, and aim to capture the subsequent continuation of that trend.

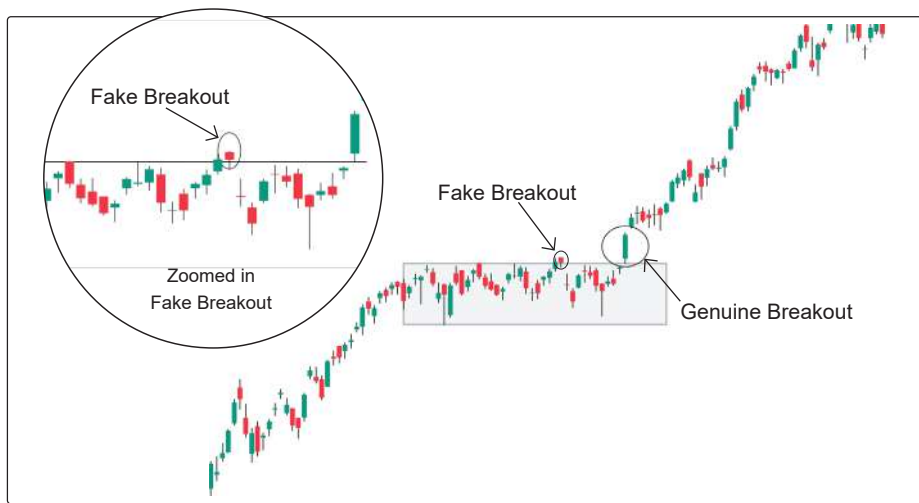
Now, let's get into the interesting part of the chapter. Let us talk about the Pullback price action trading strategy.

PULLBACK TRADING STRATEGY

To implement the Pullback strategy effectively, traders have to identify suitable setups first.



Since we are not using any indicator here, there can be a question regarding the authenticity of the pattern. How would you know if the breakout is genuine and not a fake one?



Well, always remember this - the longer the pattern has been in a range, the greater the chances that it is genuine.



Indicators



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Replay



This is why it is **recommended to use this setup on an hourly, 4-hourly or a daily chart**. Let us look at some examples now.

As you can see in the chart, the price has broken above a range and has come back to its previous resistance level. Notice how the candle leaves a huge wick as it takes support from the resistance line of the range.



The entry will be at the candle touching the previous pattern's resistance line. This is because the price has given a breakout from the range and is coming back and testing the pattern. This is an ideal Pullback setup.

You should set up your stoploss limit order just below the long wick candle (Highlighted Part). Setups like this are for 1:3 or 1:4 risk to reward ratio.



Note - If the price looks lucrative because they offer a higher risk-to-reward ratio while trading a pullback, you should at least aim for a candlestick pattern like doji or a Pin Bar to ensure that the pattern is genuine and is not a fake breakout. If you are a beginner and do not have much experience trading on naked charts, it is recommended to use some technical indicators to further confirm the authenticity of the pattern.

CONCLUSION

The Pullback price action strategy offers traders a pure price action-based approach to capturing effective and profitable trading setups. Implementation of the Pullback trading strategy requires finding suitable setups by identifying price ranges or resistance levels. It is important to note that this strategy only relies on naked price chart and technical indicators do not have a role in it. *However, as a beginner, you can use a few technical tools like Volume, RSI, etc. for further setup confirmation.*

TIP: We will not take the trade at the breakout because as we saw earlier, it can be a fake breakout. So instead, we will wait for the candle to pullback to the same level and then take the trade once the high of the pullback candle is broken. This gives us more confidence in the trade and consequently higher chances of success.





Indicators



Alert



Replay



7.5

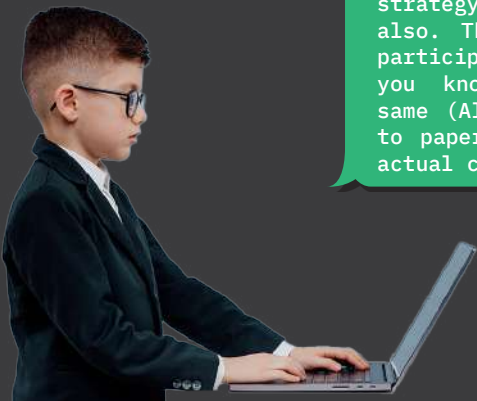
TRADING BASED ON REPO RATE



Strategy video

Many of you may already know what Repo Rate is or many of you may have not heard the name until now. In this chapter, we will discuss Repo Rate and how it can be used to form a simple straightforward trading strategy.

I say straightforward because this strategy can be used by a beginner also. This strategy allows you to participate in the market even if you know very little about the same (Although it is always better to paper trade before risking your actual capital).



This strategy can be used by anyone, even those who don't follow market daily. I say this because trading based on Repo Rate will generate much lesser trading opportunities when compared with the other strategies discussed in this book I promise its efficiency. I have backtested this strategy with the data from the year 2008! Do not worry, you will get the sheet link by the end of this chapter.

Let's get to the strategy now.

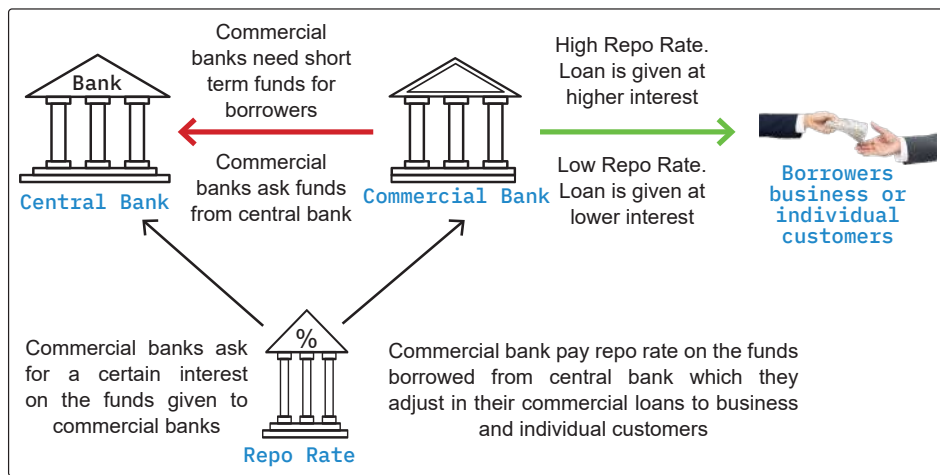


UNDERSTANDING REPO RATES AND ITS EFFECTS ON THE STOCK MARKET

The Repo Rate is the interest rate at which the RBI (Reserve Bank of India) lends money to the commercial banks. RBI is the central bank of India. Meaning, they are responsible for regulating all things related to India's banking sector.



RBI is also called the banker's bank. We cannot take money from the RBI as it only lends to commercial banks. Repo Rate is a key monetary policy tool that indicates the overall financial health and direction of interest rates in the economy.



In simple words, whenever the Repo Rate increases, the borrowing gets costlier for banks and companies. For example, if the bank is taking a loan from the RBI at a higher interest rate, the bank in return will charge a higher interest rate to companies and people to cover the same. This results in a further reduction of money supply, asset prices, and economic growth. On the other hand, whenever the Repo Rate decreases, it makes the money cheaper to borrow and stimulates growth but this can also cause inflation in the economy.

Monetary Policy
every 2 months



Trading Signals
every 2 months

No Change in RR



No Trading
Signal

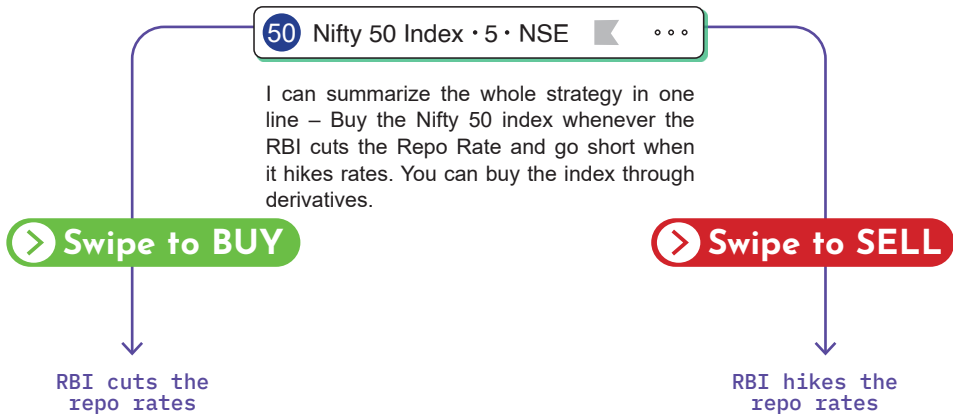
This monetary policy is reviewed by the RBI every two months. This is why this trading setup will only generate trading signals once every two months. Whenever the RBI decides to keep the Repo Rate unchanged, we will not be trading.

The quantity of trades will be less when using this setup, but as I will show you, the efficiency of this trading setup is really good.

Now that you know about the Repo Rate and its effects on the economy and markets, let's dive into the strategy.



UNDERSTANDING REPO RATES AND ITS EFFECTS ON THE STOCK MARKET



The rules you need to keep in mind are:

1 Follow Repo Rate Reports

Follow the latest Repo Rate update after every RBI monetary policy review that happens every 2 months.

2 Buy Nifty

If the RBI has lowered the Repo Rate compared to previous monetary policy, buy the Nifty 50 index at closing price on the day of announcement.

3 Sell Nifty

If the RBI has hiked the Repo Rate compared to previous monetary policy, sell the Nifty 50 index at closing price on the day of announcement.

4 Hold for a Month

Hold your trade till one month. Book your profits/loss at the end of one month.

I do not keep a specific target or stoploss levels as far as this setup is concerned. This setup will turn profitable over a course of time so keep this in mind while using it.





Download the sheet from here. As I have seen in the historical policy announcements over a 15-year period, this simple strategy has generated a profit of 3300 points in the Nifty 50 index.

CONCLUSION



In conclusion, this strategy is a very straightforward and easy to execute strategy for both novice and experienced traders. Understanding Repo Rate and its impact on the overall financial system is a crucial part of this trading strategy.

While this strategy is susceptible to generating fewer trading signals compared to other strategies discussed in the book, its historical backtesting shows its effectiveness. Remember to follow the rules and take only one lot while using the strategy for the first time. You can gradually increase positions as you get used to this strategy.



7.6

VOLATILITY CONTRACTION PATTERN (VCP)



Strategy video

This chapter talks about a longer-term strategy. This positional strategy can take time to form the ideal price structure but it still remains one of the most effective chart patterns I have ever used.

Like every other strategy mentioned in this book, this strategy is also simple to follow. A beginner can execute this strategy as it is executed on a bigger timeframe and the volatility is not our major concern here.

INTRODUCTION

One of the effective methods in technical analysis includes identifying the repetitive patterns in the charts of price movements and other metrics like volume that signal potential trading opportunities. I have observed that certain chart patterns have a more reliable statistical edge than others.



Mr. Mark Minervini

The Volatility contraction pattern or the VCP is one such powerful chart pattern originally devised by the legendary trader Mark Minervini. This chapter explains chart patterns, the VCP formation and how to trade it profitably with a systematic approach.





Indicators



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>> Replay



WHAT ARE CHART PATTERNS?



Chart patterns are specific price structures that have predictive abilities based on historical behavior. Some of these price patterns include names like Triangle pattern, Flag, Wedges, Channels and Candlestick patterns.

These chart patterns reflect the mass psychology and actions of the market participants. *For example, contracting triangle patterns represent the consolidation as bulls and bears reach equilibrium before the chart explodes and gives a breakout in any one of the directions.*



A clear formation of chart patterns allows traders to identify reliable structure and buy or sell based on the expected outcomes with an edge.

This also helps traders with a clear entry and exit signal. There are various automated scanning tools available which can identify these patterns across multiple market types.

Now that you are familiar with chart patterns, let us talk about the VCP or the Volatility Contraction Pattern.



WHAT IS THE VOLATILITY CONTRACTION PATTERN?

After extensive research, the Volatility Contraction Pattern was popularized by the legendary trader Mark Minervini. *The VCP pattern relies on price action repeatedly pulling back to test its prior swing high resistance level.*

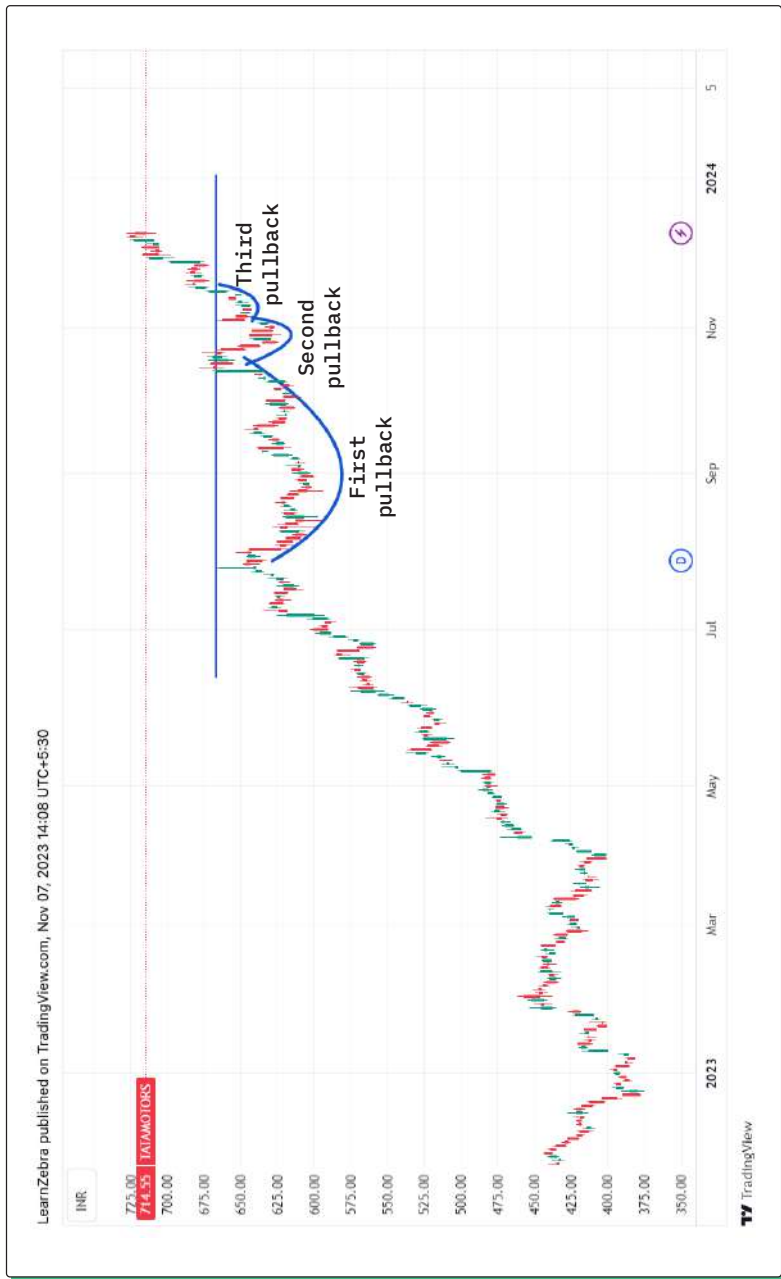


When this happens, the price structure indicates a strong underlying demand. As volatility decreases with each pullback, the range of the pattern gets shortened and hence tightens. This eventually results in an explosive breakout above the resistance level with a big green candle and heavy volumes.

Let us get to the interesting part now.



THE VOLATILITY CONTRACTION PATTERN OR VCP STRATEGY



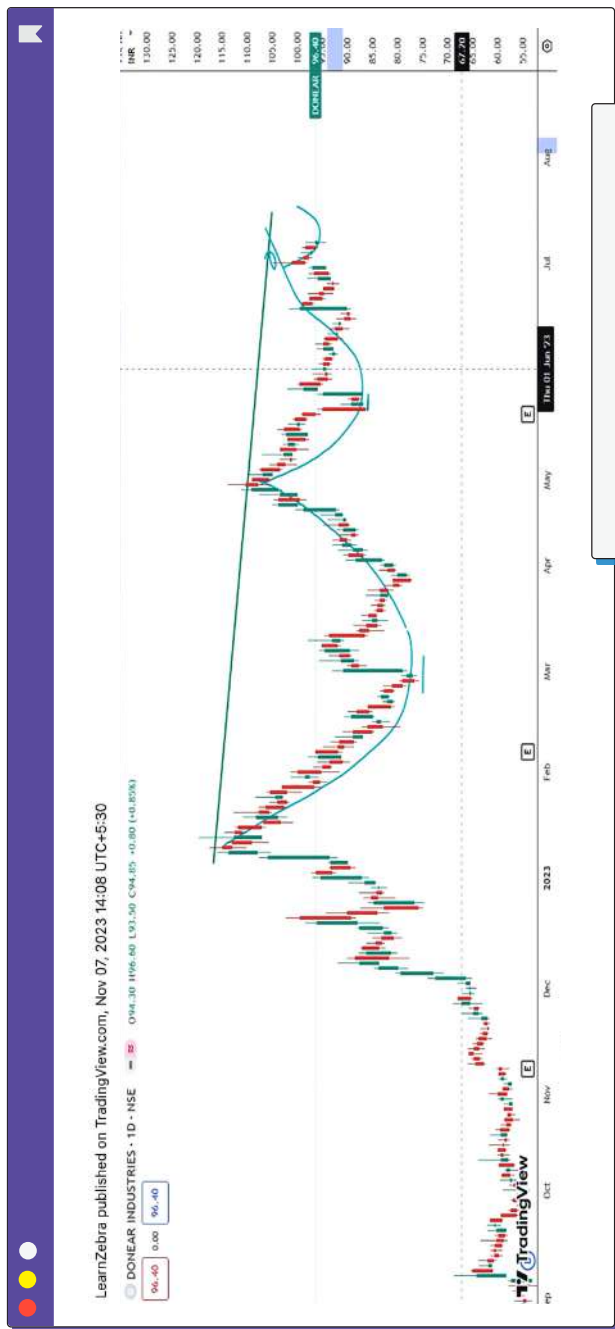


The above image shows an example of the VCP formation being created in a stock named TATA Motors.

- 1** Firstly, the stock establishes its dominant trend (uptrend) by a big swing upwards. This move helps traders in identifying the dominant trend of the stop.
- 2** Afterwards, notice how the first pullback is long and fierce. This forms the base of the pattern. The volume typically declines during this phase highlighting reduced selling pressure.
The key point you should remember is that the price must hold above its support level. This shows that the bulls are still in control of the whole situation.
- 3** After the first pullback, the bulls regain control and move the stock towards the resistance level. Notice how the second pullback migrates higher without declining much.
This shows that the buyers are absorbing the selling pressure and buying every dip of the stock. Also, notice how the time taken to recover from the pullback gets shorter compared to the first pullback.
- 4** In the third pullback, price holds above the second pullback low and quickly snaps back. As you can see, the price is stabilizing near the resistance level which shows the volatility contraction.
These shallow pullbacks reveal how strong is the demand for the underlying stock.
- 5** At this point, we are looking for a strong green candle which breaks above the resistance level with a huge upsurge of volume as shown in the price chart.
The volatility compressed will be released by an explosive move to the upside.
- 6** Our entry will be the high volume resistance breakout candle. We will enter in a bullish trade at the close of the breakout candle.
- 7** Our initial stoploss will be placed just below the third pullback to avoid getting the stoploss exploited by the market makers.
- 8** The risk to reward ratio will be at least 1:3 or 1:4 times. Mark Minervini, the founder of the VCP pattern, found this pattern to be one of the most robust patterns preceding massive moves in leading stocks across different trading timeframes.



Let us look at another example.



You can see a similar type of formation happening in the stock named DONEAR. The drawing on the chart helps in understanding what to look for from this point onwards.

CONCLUSION

The Volatility Contraction Pattern stands out as a powerful and effective chart pattern offering traders a systematic approach towards identifying potential trading opportunities with a high statistical edge.

The VCP strategy offers an opportunity to capitalize on the significant price moves in leading stocks while mitigating risks through its well-defined stoplosses. As a trader, you can gain a competitive edge and achieve consistent success in their long-term trading by recognizing and mastering this chart pattern.



7.7

TWO-LEGGED PULLBACK



Strategy video

Welcome to the intriguing trading world, where every move matters and the right strategy can make all the difference. *Today, I'm excited to share a strategy that I've found incredibly effective – the "Two-Legged Pullback Strategy."*

Trading, often seen as a labyrinth of complex indicators and intricate algorithms, can sometimes feel overwhelming. However, what if I told you this strategy doesn't rely on indicators? It's purely driven by the ebb and flow of price action, making it accessible for traders of all levels. You can apply it to any stock and time frame and uncover profitable opportunities.



While I've found this strategy is versatile across various time frames, it particularly shines on shorter ones. Why? Because it's here that rapid price movements offer exciting profit potential. So, whether you're an experienced trader looking to fine-tune your approach or a novice taking your first steps in the trading world, this strategy has something to offer.

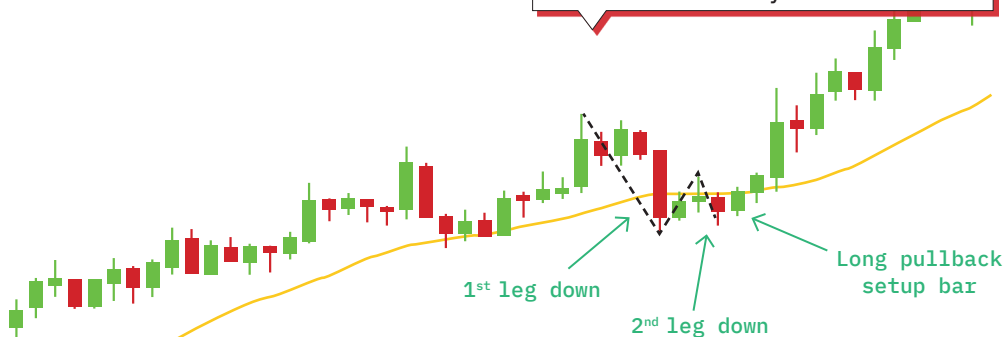


THE STRATEGY: OBJECTIVE AND IDEA

Let's delve into the core of the strategy. At its heart, it's all about understanding and riding trends at the earliest.

To begin, I seek out established trends. The logic is simple: I only want to trade in the direction of a confirmed trend. For instance, if I notice a pattern of higher highs and higher lows, it's a clear sign of an uptrend, and that's where I focus my attention.

Next, I patiently wait for something special - a two-legged pullback. This isn't a complicated concept; it's simply a two-step retreat within the trend. A first pullback, followed by an upward movement, and then a second pullback. It's the second pullback that holds the key.



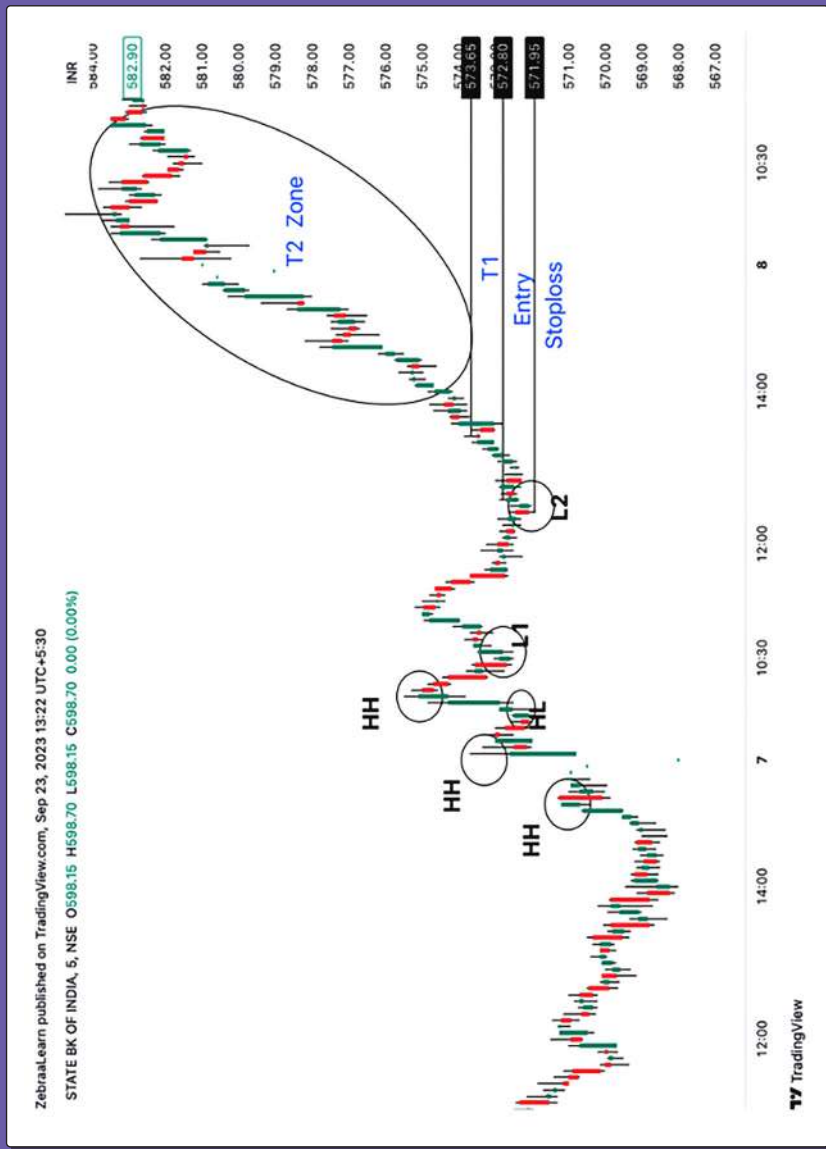
I'm ready to jump in as soon as I spot that coveted two-legged pullback. I enter the trade at the high of the green candle, aligning myself with the prevailing trend.

This is where the magic happens, I use the past to predict the future, and trading becomes an art.



THE EXECUTION

The execution of this strategy is pretty simple- You trade on the basis of price-pattern confirmation. This strategy does not involve using any indicator. Hence, having a sharp observation of price patterns will surely help you catch early trends.





TO BUY USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open a charting software.

Pick your favourite security.

Open the chart on either 1-minute or 5-minute timeframe.

Look for higher highs and higher lows.

Wait for the price to make two pullbacks after the second high.

Once you spot a two-legged pullback, look for a bullish confirmation to enter the trade.

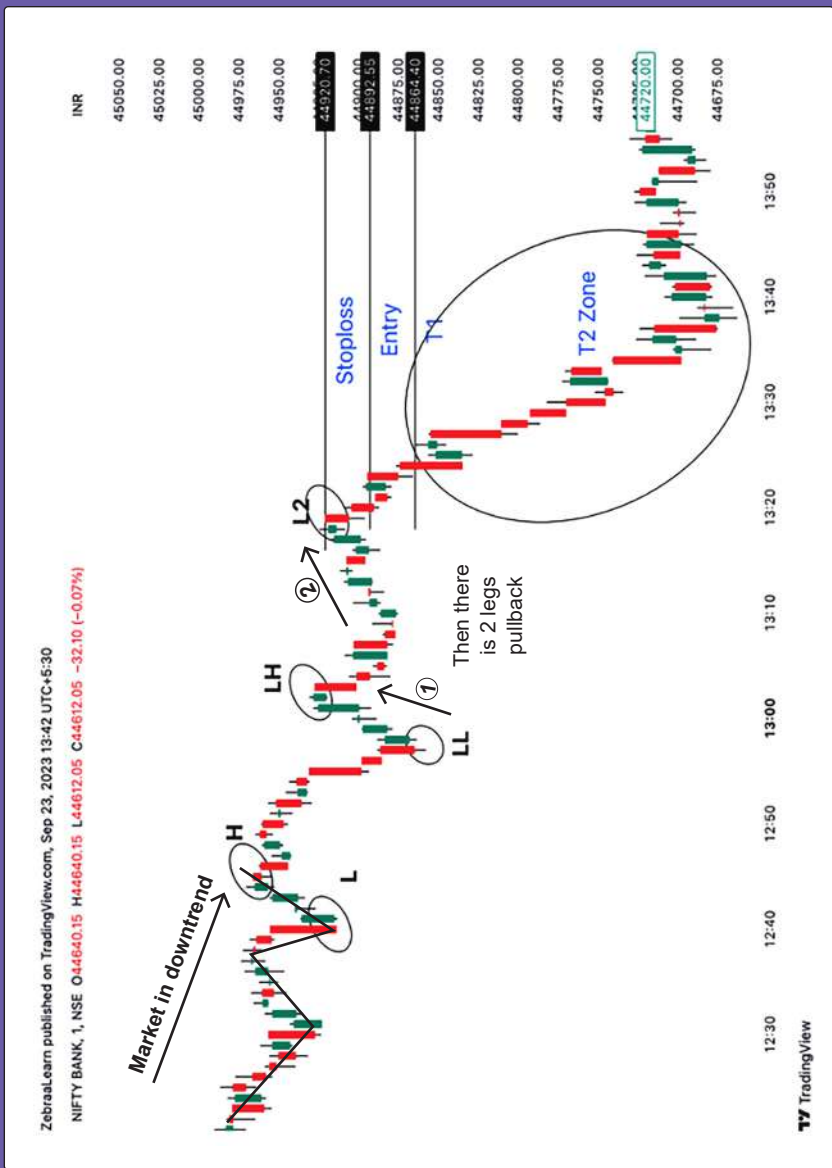
BUY above the high of the green candle.

Put initial **STOPLOSS** below the swing low or at the low of the bullish candle.

TARGETS can vary since we are trading with three lots. The first two lots have a 1:1 Risk to Reward ratio, while the second target has a 1:4 or 1:5 Risk to Reward ratios, with the stoploss adjusted to the initial selling price.

Simply put, once the trade reaches a 1:1 risk-reward ratio, it's time to secure profits. I exit two out of the three lots, locking in gains. At this point, I move the stoploss of the remaining lot to the entry price. This move ensures that even if the trade reverses, I would not suffer a loss on that lot. For that one remaining lot, I aim for a more significant profit, seeking a 1:4 or 1:5 risk-reward ratio. It's all about managing my trades efficiently.







TO SELL USING THIS STRATEGY, TAKE THE FOLLOWING STEPS:

Open a charting software.

Choose your preferred security.

Open the chart on either a 1-minute or 5-minute timeframe.

Look for lower lows and lower highs.

Wait for the price to make two pullbacks after the second low.

Once you identify a two-legged pullback, search for a bearish confirmation to enter the trade.

SELL below the low of the red candle.

Place the initial **STOPLOSS** above the swing high or at the high of the bearish candle.

TARGETS can vary since we are trading with three lots. The first two lots have a 1:1 Risk to Reward ratio, while the second target has a 1:4 or 1:5 Risk to Reward ratio, with its stoploss adjusted to the initial selling price.





Indicators



Alert

Replay



CONCLUSION

In conclusion, the Two-Legged Pullback Strategy is a testament to the elegance of simplicity in trading. It's a strategy that doesn't require complex indicators or calculations. Instead, it thrives on the beauty of price action and trend analysis.

Trading, as with any endeavour, requires discipline and risk management. This strategy is no exception. This strategy starts with three lots, secure profits quickly, and provides the possibility of substantial gains.

Whether you are trading on a 5-minute or 1-minute time frame, remember that patience is your ally. Wait for those precious two-legged pullbacks, and then, trade as per the prevailing trend. It's a straightforward yet powerful strategy that can help you navigate the dynamic world of trading with confidence.



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ZEBRA LEARN



Notes





Indicators



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IN THE END

As we reach the end of our journey through **"51 Trading Strategies,"** it's an opportune moment to reflect on the core message that underpins this book. The following are the central themes, concepts, and key points that you've explored throughout these pages:

1. THE DIVERSITY OF TRADING STYLES: We've delved into a rich array of trading styles, from the patient art of swing trading to the rapid pace of scalping, and everything in between. You've discovered that there's no one-size-fits-all approach, and it's essential to align your strategies with your personal trading style and objectives.

2. EVIDENCE-BASED STRATEGIES: Backtest results have been provided for option strategies, offering empirical evidence of their historical performance. This commitment to empirical analysis underscores the importance of data-driven decision-making in trading. Also, all strategies have been explained using charts with probable entry and exit points which can make the understanding easier.

3. ADVANCED CONCEPTS: You've explored advanced trading concepts such as Dow Theory, the Smart Money concept, Elliott Wave theory, fractals, Renko charts, and Gann techniques. These concepts open doors to a deeper understanding of market dynamics and can provide you with a unique edge in your trading.

4. THE FUSION OF ART AND SCIENCE: Trading is both an art and a science. The interplay between technical and fundamental analysis, market sentiment, and the discipline of risk management is what differentiates successful traders from the rest. It's not just about charts and numbers; it's about understanding the human element behind them.

5. EMPOWERMENT THROUGH KNOWLEDGE: The overarching message of this book is one of empowerment through knowledge. We believe that every trader, regardless of their experience level, has the potential to become a more informed, confident, and profitable participant in the financial markets.

6. ADAPTABILITY AND LIFELONG LEARNING: The financial markets are ever-evolving, and your ability to adapt and continually learn is your greatest asset. The lessons and strategies presented here are stepping stones in your ongoing journey as a trader. The added notes, my commentary and video recordings, and QR codes with backtests are all lifelong assets for you to adapt and explore.

7. CONSISTENCY AND DISCIPLINE: Trading successfully requires consistency and discipline. You've learned the importance of setting clear goals, developing a well-defined trading plan, and sticking to it with unwavering discipline.

As you move forward in your trading endeavors, I encourage you to revisit this book, absorb the lessons within, and apply them in your daily trading practices. Stay true to your trading principles, keep learning, and never lose sight of the ultimate goal: to thrive as a trader in the ever-changing world of financial markets.





You've now unlocked a wealth of knowledge, strategies, and insights, but the real value of this journey lies in what you do next. As we conclude, I want to offer you encouragement and practical advice for applying the lessons learned from this book in your trading life.

1. REFLECT ON YOUR TRADING GOALS: Take a moment to reflect on your trading goals. Are you looking to build wealth, achieve financial independence, or simply enjoy a supplementary income? Understanding your objectives is crucial in determining the strategies that align with your aspirations.

2. DEVELOP A TRADING PLAN: If you haven't already, consider developing a comprehensive trading plan. This plan should outline your goals, risk tolerance, asset allocation, and, most importantly, the strategies you'll implement. A well-thought-out plan can keep you on track and help you navigate the markets with purpose.

3. START SMALL AND PRACTICE: For those new to trading, it's wise to start small and practice. Open a demo account or trade with limited capital to familiarize yourself with the strategies you've learned. It's in practice that theory becomes reality, and the lessons you've absorbed will gain real-world context.

4. EMBRACE RISK MANAGEMENT: Risk management is non-negotiable in trading. Implement risk controls, such as setting stop-loss orders, defining position sizes, and diversifying your portfolio. This is your shield against potentially crippling losses.

5. KEEP A TRADING JOURNAL: Consider maintaining a trading journal. Record your trades, strategy implementation, and the rationale behind each decision. This journal serves as both a learning tool and a reference point for future trades.

6. LEARN FROM EVERY TRADE: Every trade is an opportunity to learn. Whether it results in profit or loss, there are lessons to be gained. Analyze your trades, identify what worked and what didn't, and use this feedback to refine your approach.

7. STAY INFORMED AND ADAPT: The financial markets are in a constant state of flux. Stay informed about economic events, market news, and global trends. Be ready to adapt your strategies to changing market conditions.

8. SEEK FEEDBACK AND SUPPORT: Don't hesitate to seek feedback and support. Connect with fellow traders, join forums or communities, and share your experiences. The insights and perspectives of others can be invaluable.

9. MAINTAIN PATIENCE AND DISCIPLINE: Patience and discipline are the bedrock of successful trading. Avoid the pitfalls of impulsive decisions, emotional trading, and chasing quick gains. Stick to your trading plan and maintain your discipline, even in the face of adversity.

10. CONTINUOUSLY EDUCATE YOURSELF: The journey of a trader is one of lifelong learning. The strategies in this book are just the beginning. Continuously educate yourself, explore new ideas, and refine your skills. Consider furthering your knowledge through courses, books, and interactions with experienced traders.



11. NO GUARANTEES IN TRADING: While we've explored a plethora of trading strategies in this book, it's essential to remember that the stock market offers no guarantees. Trading is a dynamic field, and success is far from assured. What separates successful traders from the rest often comes down to effective risk and money management. Trading, at its core, is a game of probabilities. Each strategy presented here is a tool in your kit, but it's how you manage your risk and capital that ultimately determines your success. As you embark on your trading journey, always prioritize protecting your capital, setting stop-losses, and implementing sound risk management practices to navigate the inherent uncertainties of the market.

As you step out of the pages of this book and into the live markets, remember that you have the knowledge and tools to make informed decisions and navigate the complexities of trading. The strategies you've learned here are not just theoretical; they're practical tools for your trading arsenal.

I encourage you to embrace this journey with enthusiasm and confidence. Your success as a trader depends on your actions, your commitment to continuous improvement, and your resilience in the face of challenges. Trust in your ability to apply the lessons learned from this book and to become a skilled and successful trader.

Thank you for joining me on this journey, and I wish you all the best in your trading endeavors. Now, go forth and apply what you've learned to shape your own trading success story.



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